11 May 2006

MEMORANDUM THRU Honorable Valerie Baldwin, Assistant Secretary of the Army, (Financial Management and Comptroller), 109 Army Pentagon, Washington, DC 20310-0109

FOR Honorable Francis J. Harvey, Secretary of the Army, 101 Army Pentagon, Washington, DC 20310-0101

SUBJECT: U.S. Army Materiel Command Annual Statement of Assurance on Internal Controls

1. The manager's internal control process throughout Army Materiel Command establishes effective controls of operations and compliance with applicable laws and regulations. As of the date of this memorandum, there is reasonable assurance that, except for the material weaknesses noted in TAB B (enclosure 2), internal controls are in place, working and are being used as intended.

2. The application of internal control evaluations and other methods of evaluation throughout the U.S. Army Materiel Command resulted in two new material weaknesses. Further, of the eight material weaknesses previously reported, five have been closed and three have been updated.

3.   The information at TAB A (enclosure 1) provides how the U.S. Army Materiel Command conducted the assessment of the internal control process. In addition, TAB A provides significant accomplishments that demonstrate the success of applying internal control concepts to processes, procedures and techniques during the past year.

FOR THE COMMANDER:

                                                        "signed"
2 Encls   WILLIAM E. MORTENSEN
1. Tab A   Lieutenant General, USA
2. Tab B   Deputy Commanding General

HOW THE AMC ASSESSMENT WAS CONDUCTED

**TABS A-1 AND A-2: THE BASIS FOR REASONABLE ASSURANCE AND OTHER INFORMATION.**

**Tab A-3: INTERNAL CONTROL PROGRAM AND RELATED ACCCOMPLISHMENTS**

TAB A

THE BASIS FOR REASONABLE ASSURANCE

AND

OTHER INFORMATION REQUIRED

(LEADERSHIP, TRAINING AND EXECUTION)

TABS A-1 AND A-2

FY 06 AMC - BASIS FOR REASONABLE ASSURANCE

<u>HEADQUARTERS</u>:

The determination of reasonable assurance is based on a general understanding of the Government Accountability Office's Standard for Internal Controls. Army Materiel Command (AMC) has taken a combination of actions to ensure confidence that internal controls are in place and operating as intended. Actions taken include:

- Assurances by senior leadership of subordinate organizations.

- Assurances by principals of staff organizations.

- Consideration of audit, inspection, and other independent review reports.

- Adhered to applicable regulations and policies governing the following standard managerial functions, whose heightened visibility, sensitivity, or potential for abuse make them areas of special internal control interest: use of Government purchase cards (GPC) and Government travel cards; time and attendance; property inventory, security inspections.

- Assigned programs and administrative functions are successfully completed in accordance with applicable laws and regulations.

- Complementary system of internal oversight mechanisms in place. Evaluators and inspectors conduct internal reviews.

- Convened weekly Staff Updates with Command Group and Principals to discuss issues affecting command operations, external audits and internal control issues.

- Heightened awareness and formal responsibility for the adequacy of internal controls by military and civilian managers.

- Initiated Lean Six Sigma projects at all activities which focus on improving the effectiveness and efficiency of important command processes. Results of these projects when completed can be measured in terms of improved quality, speed of service or cost savings.

- Performance of all required internal control evaluations by applicable organizational elements, and other alternative internal control evaluations warranted by local circumstances.

- Performance of the internal management control process in the areas of leadership emphasis, training and execution.

- Provided weekly updates to the Command Group on a wide-range of critical actions/plans being performed throughout the AMC staff sections. Command Group also provided items for the update to the Chief of Staff, United States Army.

HEADQUARTERS:

- Continued to exercise judgment concerning expenditures for how our resources are expended and to provide constant management oversight. Expenditures to support office operations are properly accounted for to permit the preparation of accounts and reliable financial/statistical reports and maintain accountability over all resources.

- Establishment of sound policies and specific actions in regulations and other directives taken to ensure that we have a reasonable level of confidence that internal controls are in place, valid and operating well.

MAJOR SUBORDINATE COMMANDS (MSCs):

The MSCs' determinations are based on a general understanding and adherence to the Government Accountability Office Standards for Internal Controls. Also, several actions and methods of evaluations were conducted to provide reasonable assurance that controls are in place and operating as intended. The following actions support the determination:

- Assurances by senior leadership and managers of subordinate organizations.

- Chartered Executive Steering Committees to serve as the primary group of senior leaders that will develop the overall Life Cycle Management concept strategy operating as a single business entity to transform the way communities work in support of defense transformation and to better support the joint Warfighter.

- Assigned specific responsibility for the adequacy of internal controls to civilian and military managers and evaluated them on their internal control responsibilities.

- Adopted and continued to use Lean Six Sigma to better support mission accomplishment. Completed numerous industrial and administrative projects resulting in improved processes with better quality, speed, agility and reduced waste in terms of time and dollars.

- Conducted various functional management reviews, such as program evaluations involving computer security reviews and financial system reviews.

- Considered audit, inspection, and other independent review reports.

  - Convened weekly Chief of Staff meetings with Principal Staff and Special Staff leaders to discuss ongoing Manager's Internal Control Process actions and issues.

  - Established sound policies, guidance, regulations and standard operating procedures.

- Heightened awareness and formal responsibility for the adequacy of internal controls by military and civilian managers.

- Performance of all required internal control evaluations by applicable organizational elements.

MAJOR SUBORDINATE COMMANDS (MSCs):

- Performance of other internal control evaluations warranted by local circumstances.

- Property, funds and other assets are safeguarded against waste, loss and unauthorized use.

AMC - OTHER INFORMATION REQUIRED

This Annual Statement of Assurance is based on a combination of actions taken to ensure there is a reasonable level of confidence that internal controls in Army Materiel Command (AMC) are in and operating as intended. The following actions outlined in the categories (i) Leadership Emphasis, (ii) Training and (iii) Execution demonstrate AMC's commitment to safeguard our entrusted assets.

LEADERSHIP EMPHASIS – HQ AMC:

- Commanding General memorandum distributed to HQ AMC Senior Leaders and Major Subordinate Commanders on Stewardship and the Army's Internal Control Program. This memorandum reminded all managers that they must be steadfast in their efforts to assess risks, safeguard assets, and maximize the use of scarce resources. Proper controls are essential to achieving effective stewardship of resources. Strengthening internal controls will provide the assurance that precious resources, manpower, property and dollars are properly accounted for and our mission continues to support the Warfighter.

- Commanding General Memorandum issued to HQ AMC Senior Leaders and Major Subordinate Commanders providing the Commander's Statement on Ethics. This memorandum stressed the expectation that leaders set the highest ethical standards for the AMC. As a value-based organization, ethical decision-making assures that AMC maintains the high level of respect it has earned by strict adherence to ethical principles.

- Commanding General Policy Letter on Internal Controls for the Purchase Card Program. This memorandum conveyed the requirement that leaders ensure internal controls are established for the government purchase card program. The purchase card program provides savings and internal efficiencies to the Army and is vital to our mission success. As such, it is imperative that appropriate safeguards be in place to maintain the program's credibility.

- Deputy Commanding General Memorandum designating Assessable Unit Managers (AUMs). This memorandum designated AUMs in each functional area with the responsibilities to ensure that internal controls are in place and work as intended.

- Deputy Commanding General and Principal Staff elements conducted a senior level meeting to discuss how AUMs were addressing internal controls and to review and approve new, updated and closed material weaknesses. This meeting improved the internal control process by senior leaders evaluating potential weaknesses for materiality and impact on the AMC enterprise.

LEADERSHIP EMPHASIS – HQ AMC (CONT'D):

- Continued Command Group emphasis that Commanders and Senior Managers participate in the Depot and Arsenal Executive Leadership Program (DAELP). The DAELP is an executive program designed to provide a comprehensive, integrated picture of leadership, enterprise management principles and tools needed to be effective leaders of complex organizations.

- Senior leaders continued to energize the internal control process down to the division level by demonstrating strong support and emphasizing the importance of effective internal controls. In addition, it is the responsibility of each division chief to incorporate controls in the way they do business. Internal Controls are incorporated into the performance standards of every manager, and supervisor.

- Senior leadership and Principal Staff elements required prompt evaluation of and response to all audit and inspection findings and recommendations related to the functional responsibilities of their office; maintained a framework for pinpointed responsibility and to achieve Integrity Act objectives; designated Internal Control Administrators responsible for internal control program requirements within their functional area; and updated lists of employees required to have internal control statements in their performance standards.

- The Strategic Readiness System renamed the Strategic Management System (SMS)/ Balanced Scorecard (BSC) is the Commanding General's tool used for measuring and determining how well AMC is executing its strategy and to facilitate the early detection of critical resourcing issues through the use of specific performance measures. The AMC Balanced Scorecard embodies every goal and objective outlined by the AMC Strategic Plan. The AMC Balanced Scorecard is also used to track execution of those objectives tasked to AMC in the Army Campaign Plan. Additionally, the SMS cascading and alignment process from HQ AMC required every General and Special Staff section, MSC and selected reporting agencies, to develop plans for implementing the Commanding General's strategy and supporting Balanced Scorecards to measure their execution of those plans.

- An essential element in successfully completing AMC's mission is continuous improvement in our support to the Warfighter. AMC is leading the execution of Lean Six Sigma initiatives designed to streamline our operations across the enterprise, reduce bureaucracy and improve our flexibility and agility. Central to Lean Six Sigma is achieving the critical mass of organizational knowledge and participation to enable a culture of innovation that includes: (1) continuously listening to customers, (2) questioning the status quo and (3) improving results through fact-based decisions. AMC continues to focus on integrating Lean Six Sigma into the culture of the command through leadership, training and execution.

- Commanding Generals' Command Emphasis memorandums distributed to staff and subordinate commanders, and organizations worldwide on Stewardship and Internal Controls. These memorandums stressed the importance of effective management of our resources by achieving efficiencies and combating waste, fraud and abuse.

LEADERSHIP EMPHASIS - MAJOR SUBORDINATE COMMANDS (CONT'D):

- Commanding Generals' memorandums emphasizing the importance of and ensuring all employees attend annual ethics training. This training is used to emphasize the need for efficiently and effectively managing and controlling our valued assets.

- Commanding Generals' formally appointed assessable unit managers and outlined their internal control responsibilities and his expectations.

- Commanding Generals' continued to reiterate the Internal Control Philosophy that encouraged proactive controls rather than reactive, and the reporting of any identified deficiencies as soon as possible so corrective action can be taken and completed without delay. Guidance and direction are issued throughout the reporting cycle to keep focus on the importance of controls within the daily operations of every assessable unit.

- The Strategic Management System is used for the Balanced Scorecard (BSC). A Level 2 scorecard has been developed and is a living document changing when necessary to align with Department of the Army, Assistant Secretary of the Army (Acquisition, Logistics, and Technology) and AMC. An effort has been made during the past year to develop Level 3 scorecards for some of the depots and G structure. The SMS and the BSC is used for tracking output and outcome metrics.

- The Baldrige framework as used as a business model, with each of the Baldrige criteria areas overseen by a senior management official positioned as the criteria's champion. Under section 1 of the Baldrige framework is "Leadership" that refers to the system of management and controls exercised. The Armament Research, Development and Engineering Center (ARDEC) won the Army Performance Excellence Award (APEA) - "Gold" this year with the award presented by the Secretary of the Army. The award was presented to ARDEC as the best in the Army for overall performance and improvement efforts. The ARDEC was recognized by getting this award for its leadership, strategic planning, customer and market focus, measurement analysis, and knowledge management accomplishments during the reporting cycle. The ARDEC established the Armament University which offers 425 credit and short courses with an annual attendance of 5,000, and also implemented Lean Six Sigma initiatives representing cost savings and changes in the way they do business.

LEADERSHIP EMPHASIS – SEPARATE REPORTING ACTIVITIES:

- In the Special Access Program (SAP) arena, the AMC disseminated guidance under the AMC Commanding General's signature, directing more senior command emphasis be placed on SAP management; the AMC Deputy Commanding General signs out every SAPSAT report. The AMC Deputy Commanding General signed out a memorandum during the FY emphasizing the importance of proper security awareness within the command and HQ.

- Commander memorandum distributed to Staff on the Internal Control Process. The Commander also provided a memorandum on the internal control process to Assessable Unit Managers identifying the importance of a successful internal control program.

EXECUTION OF INTERNAL CONTROLS - HEADQUARTERS:

- AMC Management Control Administrators (MCAs) distributed guidance, established individual five-year management control plans, scheduled required evaluations for completion and required feeder statements from subordinate command and separate reporting activity managers.

- Principal staff offices included the use of various alternative evaluation processes in addition to the use of standardized checklists. Many organizations also completed internal checklists on administrative issues within their offices, which are not reflected in their five-plans.

- AMC performed many actions across the command which ensure good controls are in place and used effectively. Command also used several methods of communication, to improve the overall operations, such as: weekly staff meetings, Town Hall meetings, management reviews, LEAN initiatives, brown bag lunches, Commanding General's trip reports, meetings with Deputies, and weekly Commander Staff Calls.

- Total Army Performance Evaluation System included internal control responsibilities in performance agreements. An explicit statement is included in performance agreements for Assessable Unit Managers.

- Offices conducted monthly reviews of their Government Travel Charge Card transactions and delinquency reports. Travel card holders were required to prepare their vouchers in the Defense Travel System in a timely manner, and reviewed prior to signatures to ensure voucher claims were accurate and that required documentation was attached to the electronic file.

- Monthly phone conferences and video teleconferences (VTC) conducted with MSC safety directors to assess program management, identify potential issues and share best practices. Additionally, conducted periodic staff visits to subordinate command sites to identify and help resolve potential safety management issues. Participated in the Command's Rapid Response Team as required to work and resolve safety issued before they became material weaknesses.

- Quarterly video teleconferences held with Major Subordinate Command IGs to improve communications and provide a media to discuss items of interest or issues of concern.

- An inspection of the AMC Sexual Assault and Response Program was conducted in February 2006. No significant findings were recorded. Deficiencies noted were corrected.

- An internal evaluation was conducted for the Government Purchase Card as the primary and alternate Billing Official will be changed. The internal evaluation showed no major weaknesses.

EXECUTION OF INTERNAL CONTROLS – HEADQUARTERS (CONT'D):

- A database was maintained of all contractor personnel working in the headquarters that includes their level of security clearance. This database is used to track the number of contractors currently working at HQ AMC against a valid contract. Database contains information such as Contracting Officer Representative, Contract Number and Expiration of contract. This is related to ensuring that proper internal controls are in place for contractors with access to HQ AMC have a valid need. This database of contractor personnel is responsible for providing the numbers of contractors on board at any given time to the Deputy Commanding General.

- An internal audit of the security database Joint Personnel Adjudication System to ensure information on HQ AMC personnel was complete. Reviewed all procedures to ensure all personnel received only the level of security required by their position or contract. There were no deficiencies noted.

- Periodic briefing schedule developed, whereby the 902d Military Intelligence Group, the supporting CI element, updated the CG, DCG, and G-2 on CI activities occurring within the command. AMC reestablished the SAPSAT to assist subordinates in preparation for DAIG Inspection visits. SAPSAT efforts are performed jointly with RDECOM personnel.

- The AMC HQ Security Manager trained the G-staff/Directorate security monitors quarterly on their security roles/responsibilities, new security policies, and lessons learned from inspections. These security monitors then trained personnel in their organizations. AMC Security Manager also conducted announced and unannounced inspections of the HQs staff offices. During these inspections, the HQ Security Manager also conducted refresher training. To ensure HQ AMC personnel received annual refresher security training, the HQ Security Manager conducted monthly security refresher training for the HQ throughout the fiscal year. In addition, AMC plans to conduct web-based training. A HQ Security Handbook was developed to provide all HQ employees specifics on security. Additionally, the AMC published *The Scoop,* an unclassified quarterly security newsletter that provides information to MSC security managers and security specialists. The newsletter is not intended to be a catch-all, but to supplement the policy guidance and other pertinent security information that we provide to the MSCs on a regular basis.

- A NIPRNET website was developed to ensure training material and policy guidance was available to both HQ and MSC personnel. The website provides security/intelligence items of interest, changes in policy/guidance, and points of contact.

- HQs Staff offices and subordinate commands reported they maintained a framework for responsibility and accountability to reflect the changes to the Army Managers' Internal Control Process and to achieve the objectives of Internal Controls.

- The HQ AMC technical library initiated a control initiative by hiring a professional librarian to manage the Command program and direct the HQ Technical library operations and implement the use of an internal control evaluation checklist.

<u>EXECUTION OF INTERNAL CONTROLS – HEADQUARTERS (CONT'D)</u>

- Purchase card holder records were reviewed monthly and ensured that purchase card holder statement reviews and billing official certifications were completed timely to ensure cost savings (rebates) to the Government for one-time payments.

- During FY 06, HQ AMC virtually eliminated Government Purchase Card delinquencies and used the Purchase Card Management System (PCMS) and the Customer Automation and Reporting Environment (C.A.R.E) reporting mechanisms to avoid instances of GPC fraud throughout AMC. Although U.S. Army Audit Agency (USAAA), DOD Inspector General (DODIG) and General Accounting Office (GAO) audits of AMC sites have revealed some questionable GPC purchases, there were no reported instances of fraud. The audits resulted in issuance of DOD and Army policies for enhanced control/management of the GPC Program.

- AMC disseminated the GAO Purchase Card Guide to AMC Major Subordinate Commands for distribution to all MACOM Agency Program Coordinators (APCs). This guide outlines the statutory and regulatory bases of the card programs and includes checklists for APCs and managers to identify and eliminate program areas where there may be the potential for fraud or misuse. In addition, we will be using lessons learned from ongoing purchase card investigations to highlight the importance of proper controls. Used results of an Internal Review report to improve oversight of purchases made by credit cardholders. .

- Policy guidance and oversight for the Purchase Card Program was provided from two perspectives: The HQ AMC and MSC's program. Utilized bank reports to ensure that subordinate contracting offices complied with the Army's delinquency standards and not making questionable transactions. Additionally, provided extensive support to subordinate organizations by giving guidance on how to interpret and apply purchase card policy and resolve challenges encountered in administering the program. Acted as the liaison between the Fort Belvoir Contracting Office and HQ AMC. Also provides assistance with establishing and canceling accounts, interpreting and applying policy.

- Reviews conducted of all requests for HQ AMC services. In addition, all service contract requirements (including Contract Advisory and Assistance Services (CAAS)) were processed in accordance with the Commanding General's Memorandum dated 29 March 2006.

- The Strategic Readiness System (SRS) used to provide meaningful data for assessing success across the staff.   Definitive objectives were developed and progress was measured using the Army Basic Scorecard system under SRS. This system was shared with field offices to ensure parallel efforts. Daily, informal training and cross-training ensured a ready-set-go team that could handle the wide range of communication challenges and crises, especially during a time of war.

EXECUTION OF INTERNAL CONTROLS - HEADQUARTERS (CONT'D):

- Automation technologies, including VTC capabilities and conference calls, increased communication with the field in the Public Affairs, industry outreach and Congressional liaison areas which improved effectiveness. Produced weekly five minute news show, *AMC News Dispatch* provided via video streaming to all headquarters employees and on the Internet for public dissemination and viewing. This increased our ability to reach a broad audience using existing technologies and talent.

- Weekly news bulletin published via email, *Eye on AMC*, provided concise information about a wide range of subjects, to include sound bites from senior leaders as well as members of the workforce engaged in critical missions.

- Personnel and security personnel performed security checks and surveys to assess the adequacy of security programs to include information security, personnel security, industrial security, and foreign disclosure.

- A number of tools are used to provide reasonable assurance that two key processes complied with applicable laws and regulations including periodic procurement management reviews, staff assistance visits, internal and external audits, and program status updates:

    - Secure Environment Contracting. The Office of Command Contracting participated in SAPSAVs to evaluate secure contracting processes and provided staff assistance where deficiencies have been identified. No material contracting weaknesses were identified.

    - Contracted Advisory and Assistance Services (CAAS). The Office of Command Contracting reviewed all HQ AMC requests for CAAS. In FY 06, tracked all CAAS actions using a database, performed reviews of all request for services. No material weaknesses were identified.

EXECUTION OF INTERNAL CONTROLS - MAJOR SUBORDINATE COMMANDS:

Subordinate commands completed the following actions to assess the effectiveness of their internal control processes and improve execution:

- The Management Control Administrators and points of contact ensured that responsible officials had internal controls responsibilities in their performance standards.

- Internal Review Offices circulated potential findings from GAO, USAAA, and DODIG reports to appropriate personnel across the Command. In addition, Early Bird articles, IT and Government news articles, Government Executive, and other newsletters were scanned daily for relevance to AMC missions.

- Follow-up reviews conducted on all General Accounting Office, U.S. Army Audit Agency and DOD Inspector General findings and recommendations.

EXECUTION OF INTERNAL CONTROLS - MAJOR SUBORDINATE COMMANDS (CONT'D):

- Internal Review Offices identified and tracked corrective actions on all audit and inspection findings in the Internal Review Management System (IRMS) database. While higher headquarters elements (AMC/DA) are responsible for corrective actions on a number of the audit findings, the IRMS database provides an excellent tool for monitoring weaknesses within the subordinate commands. Validated corrective actions on material weaknesses and recommended closure.

- Individual FY 06 Management Control Plans were developed to include the Army key control evaluations. Appropriate functional offices reviewed the plan to determine if any new functional evaluations from HQDA applied to subordinate commands. If so, the functional offices determined the frequency of the evaluation and which type of organizations/ installations needed to do the evaluation.

- Emphasis placed on identifying and correcting all material weaknesses. Executive Conferences held with organizational directors, or designees to discuss organizational efforts such as internal control training, checklist completion, and corrective action plans for new and prior year material weaknesses. Internal Review offices validated corrective actions taken to correct and close a material weakness.

- Site field offices continued to conduct assessments by developing individual site plans, conducting evaluations, reviewing applicable checklists and other evaluation processes to provide reasonable assurance that controls are in place and operating.

- Alternative methods utilized for conducting assessments at demilitarization sites and various non-stockpile sites included annual site evaluations. Multiple site evaluators perform safety program reviews, pre-operational or operational readiness reviews, surety assistance visits, and external site evaluations by AMC, Department of the Army, DOD Explosives Safety Board, and Federal/State Occupational Safety and Health Administration.

- IG assistance visits were conducted in accordance with AR 20-1 and Intelligence Oversight inspections were conducted for the intelligence components of the Command as directed by AR 20-1, Inspector General Activities and Procedures and AR 381-10, U.S. Army Intelligence Activities.

- Supervisors/managers/leaders were held accountable for the effectiveness of their internal controls in FY 06. All evaluations (checklists) completed by supervisory/managerial personnel were reviewed for timeliness, adequacy and results.

- On-site planning and reviews held with all MSCs to review progress towards meeting the paper-free mandates and enterprise business processes. In addition, Video Teleconferences were held on a periodic basis with MSC representatives assigned to the Procurement Business Process Group and The Procurement Steering Committee. The IPS Office provides the overall management for these groups and facilitates the review and the establishment of priorities for System Change Requests to the automated contract writing systems and electronic commerce systems.

EXECUTION OF INTERNAL CONTROLS - MAJOR SUBORDINATE COMMANDS (CONT'D):

- Reviews were periodically performed and assessments made to verify/improve implementation and execution of controls. Primary focus dealt with the implementation of regulatory or statutory requirements as published in the Federal Acquisition Regulation and the Defense Federal Acquisition Supplement. Reviews were accomplished in coordination with the AMC Contracting Processes to ensure compliance in the automated acquisition systems. With increased emphasis on paper-free acquisition and enterprise business systems, reviews are consistently performed on processes within the contracting functional community to ensure that the movement from a paper-laden process to a paper-free process captures the statutory and regulatory requirements and that acquisition and contracting data and information can be readily shared across the command.

INTERNAL CONTROL TRAINING - AMC-WIDE

- At the beginning of FY 06, AMC contracted with the USDA Graduate School to provide a 2-day on-site course to HQ AMC Management Control Administrators and managers. In collaboration with AMC, the USDA designed a presentation specifically tailored for AMC MCAs and managers. This presentation covered the statutory and regulatory requirements of the Army's Internal Control Process, the major elements of the Army's process, basic responsibilities of key players, and guidance to carry out their roles and responsibilities. The class emphasized how to provide administrative oversight and support to the Assessable Unit Managers. Participants received guidance on how to develop an effective Management Control Plan; conduct evaluations; identify report and correct material weaknesses; and develop Annual Statements. A practice session was provided in conducting an internal control evaluation that included an analysis of risk.

- A new training package was developed during FY 06 to provide Assessable Unit Managers refresher training on the Manager's Internal Control Process. It was provided to All HQ AMC Staff Office MCAs via electronic mail. A copy of this training package was also made available on the HQ AMC IR Website.

- The MCA revised Internal Control Process Tri-fold Guides to provide information and responsibilities for each phase of the Internal Control Process and Annual Statement of Assurance (ASA).

- The internal control section, located on the HQ AMC Internal Review and Audit Compliance Office website, provided MCAs command-wide instant access to the Managers' Internal Control Program (MICP) guidance, other important websites, and various internal control training materials. Subordinate commands have developed their own web pages to include information on all pertinent internal control policies and regulations, as well as historical internal control process information, and training materials.

- The MCA attended VTCs internal control training sessions to discuss MICP issues, training requirements and ASA guidance.

INTERNAL CONTROL TRAINING - AMC-WIDE (CONT'D)

- Internal Control training was conducted on a wide scale and at all levels of this command. Subordinate commands have established their own Internal Control Process Training Programs. They conducted training using various methods (formal classroom presentations, VTCs, deskside briefings, training CDs, web-based training products, USDA classes, town hall meetings, train-the-trainer approaches and workshops, etc.). Training sessions included AUMs, management control administrators and other managers. Also, functional area supervisors were provided copies of the GAO Standards for Internal Management Controls as a refresher, attending formal Management Control Administrator's courses, local training through formal presentation: Army Management Control Evaluation Refresher training, and developed a guide which provided guidance to division chiefs on "Developing Management Control Plans and Evaluations."

- Command Counsel provided the Department of the Army's requirement for annual Ethics training for all military and civilian AMC employees.

- A "User's Guide for the GSA SMARTPAY Purchase Card Program" was developed to assist purchase cardholders and billing officials in how to apply the myriad of purchase card rules and regulations to AMC Purchases. The User's Guide included a checklist required for all billing officials to complete and submit every October indicating the internal controls used during the fiscal year.

- Deskside training was conducted for all new division chiefs on the use of the Defense Travel System and their role in approving travel and looking for possible fraud, waste and abuse. All division chiefs receive regular programmatic updates and changes.

- Various staff office's personnel have received Lean Six Sigma (LSS) training, including Green Belts and Black Belts. Upon completion of the training, Green Belts have a basic knowledge and understanding of LSS tools/methods and will be able to assist Black Belts in LSS projects. This training will ensure effective and efficient processes that have appropriate control and oversight.

- The Command Retention team conducted a quarterly training meeting for all MSC Retention Points of Contact. The training site is rotated among the MSCs to facilitate sharing best practices. VTCs that focus on policy dissemination, program standardization and management issues are conducted quarterly. All new Retention POCs who are not badge certified Retention Non-commissioned Officers are required to attend the one week Mobile Retention Training. The VTCs and mandatory training are to ensure each Retention POC has a clear understanding of their responsibilities and discussions of management controls is included as part of the training.

- Annual refresher security training was conducted during FY 06. A NIPRNET website was developed to keep HQ and subordinate command personnel updated on security/intelligence items of interest, changes in policy/guidance, and points of contact.

INTERNAL CONTROL TRAINING - AMC-WIDE (CONT'D)

- Refresher training related to the Army Fiscal Code; Defense Appropriations and Obligation Rules; Internal Controls, the Joint Reconciliation Program; Army Accounting; and Inflation Adjustments was conducted during FY 06. Within the next fiscal year classes will be added on the Planning, Programming, Budgeting and Execution process and Manpower Management to our internal training inventory. Classes were designed to reinforce and compliment formal training across multiple functional areas.

- AMC employees continue to obtain professional certifications in their respective fields; for example: Acquisition certification and membership in the acquisition core, laboratory auditing, property administration, financial management and budgeting. A well-trained workforce has the added benefit of increasing the level of understanding required for effective internal control of Government resources.

- Subordinate commands conducted FY 06 training programs focused on operating managers understanding their incremental responsibilities for using the internal control evaluations for day-to-day guidance and formal application as required by their management control plans. Classroom presentations were held with managers, supervisors, credit card personnel and hand receipt holders. Non-collocated personnel received training at their locations using powerpoint charts, emails, AKO internal and external web pages. Some training provided one hour of continuous learning points for those employees in the Acquisition Workforce. Subrodinate command Management Control Administrators continue to have instant access to new information and news. Classes also included terms and definitions, and material on why internal controls are such an important management tool and process. Also, a training video and the associated PowerPoint Charts were combined together into an interactive web-based program capable of being posted on a server and run on each employee's computer. Formal training by the Graduate School of the Government Audit Training Institute has been provided to subordinate command personnel. Formal training on internal controls was conducted at several locations.

- One subordinate command placed emphasis on surety training. A need existed for an in-depth training program for all personnel involved in the surety program. A self-paced, computer-based surety training program was developed and distributed to all applicable personnel.

- Electronic training packages, published newsletters and latest news columns were distributed via email to subordinate commands and activities addressing internal controls.

- Internal Control Video Teleconference training sessions were conducted for Outside Continental United States and Continental United States installations during December 2005 and January 2006. Videotape copies were provided to other sites that could not attend the VTC sessions.

INTERNAL CONTROL TRAINING - AMC-WIDE (CONT'D)

- A two-day USDA Graduate School Course for Management Control Administrators was brought on the Research, Development and Engineering Command (RDECOM) site (Aberdeen area). Each assessable unit was encouraged to take advantage of this course or other courses scheduled to be given at a site near their location. A one-day USDA Graduate School Course was also brought to the APG (Edgewood area) site this reporting cycle and attended by the RDECOM Primary MCA. Our intent is to keep bringing the formal training to this site at least every other year. This initiative supports reduced travel costs and helps encourage AUMs and MCAs to attend the formal training, while increasing focus on internal controls.

- Composite Guide on Requirements for Deploying to Southwest Asia (SWA) was developed for personnel deploying to SWA in support of Central Command operations. Employees must meet specific requirements to be deployed. A single-source guide was developed identifying the requirements to be met, providing the required forms and instructions for completing each form, and providing web-site addresses for users to access additional related information. The guide also identified the circumstances that justify a waiver request and provides the procedures for an individual to submit a waiver. This composite guide resulted in a savings of time and frustration when preparing Soldiers for deployment, and ensured timely support to the Global War On Terrorism mission.

- Internal Control Training Statistics for FY 06 - Total personnel trained: 5,562

  - Classroom Presentations: 350
  - Deskside Briefings: 272
  - Telephonic Briefings: 10
  - Video Teleconference: 109
  - Local MCP Conference: 32
  - Training Videos: 10
  - Training CDs: 29
  - Web-based Training: 4,208
  - Electronic Briefing Charts: 383
  - HQDA Conference: 11
  - USDA Course: 111
  - AMSC: 28
  - Professional Resource Mgt Course (Syracuse): 1
  - Other courses or schools with a session on Internal Controls: 8

INTERNAL CONTROL PROGRAM
AND
RELATED ACCOMPLISHMENTS

TAB A-3

ACCOMPLISHMENTS – HEADQUARTERS

1. **Description of the Issue**: Deputy Chief of Staff for Personnel, G-1 is planning and guiding the human resources elements of command-wide compliance with Base Realignment and Closure (BRAC) Law.

Accomplishments:

- The Executive Deputy to the Commanding General (EDCG) identified as Command BRAC Program Executive Officer. The G-1 identified as central point of contact for all Command issues. BRAC Points of Contact identified.

- Town Halls for employees at BRAC-afftected sites are on-going, all AMC employees provided the opportunity to attend one or more Town Halls covering BRAC. Deputy Chief of Staff for Personnel, G-1 conducts bi-monthly VTCs with the Major Subordinate Commands (MSCs) to discuss BRAC.

- HQ AMC and Army, Assistant Deputy Chief of Staff for Personnel, G-1 co-hosted Headquarters Department of the Army Human Resources (HR) BRAC Conference - all executive and senior level Army HR community representatives in attendance. Purpose: generate Army HR BRAC initiatives to sustain mission while taking care of people. Army working numerous initiatives under both General Schedule (GS) and National Security Personnel System (NSPS) personnel systems.

- Deputy Chief of Staff for Personnel, G-1 created BRAC AKO Knowledge Center to share program updates and best practices. Employees kept informed of BRAC updates primarily through electronic mail.

- HQ AMC, USASAC and C-E LCMC conducted surveys to assess organization and employee needs for planning and resourcing.

- HQ AMC creating Human Capital Strategy to sustain mission while ensuring consistent and economic use of BRAC initiatives and incentives.

- Deputy Chief of Staff for Personnel, G-1 serving as HR Lead in Joint Service action to consolidate Depot Level Repairables under Defense Logistics Agency (DLA).

2. **Description of the Issue**: HQ AMC is planning and guiding command-wide implementation of the National Security Personnel System (NSPS).

Accomplishments:

- Executive Deputy to the Commanding General (EDCG) identified as AMC NSPS Program Executive Officer. Deputy Chief of Staff for Personnel, G-1 identified as central point of contact for all Command NSPS Issues. NSPS points of contact have been identified.

- 66% of all AMC civilians provided opportunity to attend NSPS Town Halls. The G-1 conducts bi-monthly video teleconferences with MSCs to discuss NSPS. MSC's are included in bi-weekly Department of the Army (DA) hosted NSPS teleconferences.

- Program updates shared on daily basis with NSPS points of contact. Employees are kept informed of all NSPS updates primarily through electronic mail.

- DA designed "readiness tool" will be regularly assessed by G-1 representatives to ensure MSC's are preparing for deployment timely and in compliance with DA requirements.

3. **Description of the Issue**: Internal Review Support Using Strategic Readiness System. In addition to leadership being fully engaged in daily oversight of the Office of Public and Congressional Affairs (AMCPC) operations, the AMCPC basic scorecard as part of the implementation of the Strategic Readiness System (SRS) has contributed to the overall management of this Special Office staff element.

- Recent adjustments to the scorecard and its emphasis on leading indicators reflects the practical application of this tool to assist the Chief, AMCPC in determining the effectiveness of strategic communications plans. It helps clarify AMCPC contributions to the Army and AMC strategic plans, and orient staff actions toward achieving the Army's strategic goals.

4. **Description of the Issue**: Expanding the Chief Information Officer, G-6 role in Army transformation with selected operational paradigms undergoing a LEAN/Six Sigma event.

Accomplishments:

- Continued program responsibility to a single division for oversight and tracking.

- Have increased number of projects to 5, all with positive fiscal impact.

- Increased the number of black belt candidates to 5 to ensure internal coverage for simultaneous divisional events.

5. **Description of the Issue**: Improved Managerial Accounting. Deputy Chief of Staff for Resource Management, G-8 has initiated several actions to improve the performance within the financial management arena.

Accomplishments:

- Continual strengthening of the Joint Reconciliation Program within AMC. Accomplished under a contract with CACI, Inc., the data collection and presentation for this project is fully automated and has reduced the formerly labor intensive effort involved in keying data into spreadsheets and creating charts, from several days to a matter of minutes, to produce the same output products. This has allowed more time for critical staff analysis. As a result, unliquidated balances for canceling year accounts are at an all time low for AMC.

- AMC engaged another contractor, Bearing Point Consulting, to perform contract reconciliations to correct Negative Unliquidated Obligations (NULOs) at the St. Louis Operating Location. In CY 05, Bearing Point identified a total of 1,544 line items representing $1.39B in NULOs for corrective actions. These totals represent the sum of negative unliquidated obligations researched and recommended for correction by Bearing Point.

6**. Description of the Issue**: U.S. Government Travel Card (GTC) Program. AMC continued as the best Army Program Coordinator in terms of GTC delinquency rate. AMC GTC delinquencies by account remained below the Army goal of 5% as AMC continued its zero tolerance policy for delinquencies.

Accomplishments:

- AMC provided HQDA a "Best Practices" model for presentation at the 4th annual GSA SmartPay Conference.

- Additionally, we have required all DCSRM, G-8 cardholders and approving officials to complete the web-based training "Upholding the Integrity of the Charge Card Program".

- AMC GTC delinquencies by account remained below the Army goal of 5%.

7. **Description of the Issue**: U.S. Government (USG) Department of Defense Travel System. AMC continues to collaborate with the DOD DTS Program Management Office (PMO), HQDA and our Major Subordinate Commands (MSCs) to field DTS to the Phase III sites throughout AMC.

Accomplishments:

- The DTS not only streamlines travel processing but also provides a singular budget and accounting reporting mechanism for Command stewardship of scarce travel resources. DTS is the first USG business application to include the use of the state-of-the-art Common Access Card (CAC) Public Key Infrastructure (PKI).

- DTS and CAC/PKI revolutionize the AMC travel business practice by automating internal controls and travel processing to the level consistent with effective internal control of the Government Travel Card Program, while significantly reducing travel delinquencies.

- AFSC G-8 has formed a four-person DTS Help Desk team to provide trainng sessions to travelers (beginner and intermediate sessions; reviewers and Approving Officials; Directorates and Special Staff Offices' Organization Defense Travel Administrators.

- CECOM, G-8, formed a team to completely test, train and implement DTS. The team assured that 3,000 travel cardholders, certifiers and approving officials received hands-on training. Performing the training in-house saved the government in excess of $100,000.00. The team also trained the Emergency Operations Center (EOC) and allowed the EOC access to DTS reports. The EOC is able to track the location of CECOM travelers in case of emergency anywhere in the world. The main advantages for the government are the enormous cost savings and the ability to accurately track employee travel. In FY 06, over 2500 vouchers have already been processed resulting in additional savings of over $77,000.00 for a total of $275,000.00.

8. **Description of the Issue**: RM-Online. The Resource Management Online (RM-Online) application developed for the Army Materiel Command (AMC) provides a web-based portal for budget development, execution planning and reporting, as well as management of appropriated funds, manpower, AWCF reporting and the Joint Reconciliation Program. This interactive web-based solution replaces various fragmented manual and automated RM systems – systems which were both time consuming and labor intensive.

Accomplishments:

- RM-Online received the Pioneer Award for outstanding solutions in electronic government at the fifth annual E-Gov Conference, Washington, D.C. The Pioneer Award recognizes public sector professionals who have developed e-government programs that increase productivity, save limited public resources and improve citizen services.

- While not a directed action, RM-Online has been approved by the Secretary of the Army's Business Initiative Council (BIC) as an Army BIC initiative. Initially developed for the AMC, the RM-Online application has since been deployed to the Army Test and Evaluation Command (ATEC), the Criminal Investigation Command (CID) and is being implemented by the Army Acquisition Support Command.

9. **Description of the Issue**: Army Workload Performance System (AWPS). In 1995 HQDA selected AWPS as the Army's system for capturing workload and labor data. The purpose of AWPS is to analyze rightsizing/downsizing, overhead management requirements, human resource planning, and workload management.

Accomplishment:

- G-8 has deployed AWPS to all the Army Working Captial Fund (AWCF) maintenance depots and ordnance (ammo mission) installations for the performance measure and control module, the workload forecasting module, the workforce forecasting module, the AWPS base operations (BASOPS) module and the AWPS NextGen module. In July 2003, G-8 fully deployed the NOR module and the Maintenance Materiel Tool.

- In addition, over the past year G-8 developed an AWPS Logistics Modernization Program (LMP) interface, which will soon become operational.

10. **Description of the Issue**: Fiscal Law Training. There are several ongoing initiatives in the command's resource management community aimed at the avoidance and investigation of Antideficiency Act (ADA) violations.

Accomplishments:

- The Deputy Chief of Staff for Resource Management, G-8 assisted HQDA (Office of the Assistant Secretary of the Army (Financial Management and Comptroller) in the researching, writing, organization, editing, and publishing of the USDA Antideficiency Act (ADA) Investigation Manual in 1998. This 150-page manual, the first of its kind in DOD, is both a training aid and an all-encompassing guide for ADA investigating officers and their appointing officials on the ADA itself and on the ADA investigation processes and requirements. Since its publication, the ODCSRM, G-8, has been assembling notes toward the next edition of the manual, based on AMC's experiences with the use and practical application of the manual in actual ADA investigations.   HQDA has advised that it intends to begin work on the second edition and has again requested ODCSRM, G-8's assistance in the effort.

- At CECOM, the ODCSRM has developed and conducts, both locally and off site, a comprehensive fiscal law course which they offer to financial experts and non-experts alike. The course of instruction uses the Judge Advocate General (JAG) fiscal law textbook and makes it relevant to the AMC experience through examples and case studies. This course is particularly valuable and timely, not only for training acquisition personnel and new IMPAC cardholders, but also in view of the new DOD requirement for prerequisite fiscal law training for Antideficiency Act violation investigating officers. CECOM conducts the course primarily for CECOM employees, but also opens it to other AMC subordinate commands and to HQ AMC.

11. **Description of the Issue**: Chief Financial Officer's (CFO) Act Implementation and Strategic Plan. The DCSRM, G-8 is the AMC lead for this program. The CFO Strategic Plan is a DA initiative developed to comply with the CFO Act by obtaining a clean audit opinion on DA annual financial statements. The HQDA re-energized the CFO Strategic Plan in FY 02: establishing a program management cell to actively manage the Army CFO Strategic Plan, including all OSD staff components in the CFO process; establishing a Help Desk and providing accounting assistance; and personally engaging the ASA (FM&C) in the quarterly CFO IPRs. The milestone date to achieve an opinion is now FY 07 and the date to achieve an unqualified opinion is FY 10. As part of the re-energizing process, HQDA re-focused direction to identify and complete noncompliant tasks. The HQDA removed completed, cancelled and merged tasks from the list of open tasks.

Accomplishment:

- The majority of AMC's open tasks relate to financial or feeder systems, many of which we are replacing with the Logistics Modernization Program (LMP) system. Successful implementation of LMP is contingent on OSD Comptroller certification of the success of stabilization activities and will effectively complete AMC's CFO compliance responsibilities.

12. **Description of the Issue**: Depot Maintenance Methods and Standards Program.   To reduce overhead expenses and indirect manpower, depots previously scaled back or effectively eliminated their methods and standards programs. They essentially lost the capability to update maintenance procedures and labor standards to reflect changes driven by process improvements, changes to the scope of work, new environmental requirements and productivity enhancing capital investments. A gap developed between the cost to do the work as documented (should cost), and what it actually did cost to do the work. Resultant prices and inaccurate repair rates adversely affected workload projections, repair costs, revenue estimates and workforce requirements. Depots also lost an accurate baseline against which to measure schedule and cost performance.

Accomplishment:

- AMC has reestablished methods and standards programs at all five maintenance depots and has melded these procedures into the LEAN initiative to study workflow, propose process improvements and document the validity of cost and time saved.

ACCOMPLISHMENTS - SUBORDINATE COMMANDS:

1. **Description of the Issue**: Continuous Implementation of Army Transformation in Europe: The standup of a new Brigade, AFSB-EU occurred on October 1, 2004. Since that time, CG, United States Army Europe (USAEUR) published a transformation plan on how changing the Army in Europe. The Commander and Brigade personnel continue to work on transformation issues, following the directives of DOD, DA, and USAREUR. Command is shaping the right organization to uphold our mission of providing expeditionary logistics power projection and global logistics support.

Accomplishments:

- Strengthens the logistics capabilities within the European Theater to better support the Warfighter.

- In line with Army's Plan for Transformation. Centralizes logistics capabilities under one Brigade umbrella, thereby ensuring stronger management control system and process controls are in place to prevent fraud, waste, abuse and/or misuse of government assets.

2. **Description of the Issue**: Army Field Support Battalion (AFSBn)-Luxembourg (LU) Materiel Readiness: Ensures the Warfighter receives the materiel on time and that it is ready for deployment.

Accomplishments:

- This battalion ensures that every piece of equipment is 100% inspected by a government QA inspector before the equipment departs the site. In addition battalion staff review detailed pre-production plans prior to production and continuously monitors production on a weekly and sometimes daily basis, to ensure AFSBn-LU is meeting production goals.

- During the last internal control reporting period the deficiency rate of equipment leaving this site was less than 2%. AFSBn-LU met all production goals on time and at or below estimated cost.

3. **Description of the Issue**: Plans and Initiatives Directorate (AMSFS-PI) Management and Oversight: AMSFS-PI had Command responsibility for management and oversight of the Joint Munitions Life-Cycle Command - Ammunition Enterprise; PEO for Ammunition; and AFSC/JMC Army Transformation Planning.

<u>Accomplishments</u>:

- Joint Munitions Life Cycle Command: The internal control process that our office put in place identified and resolved Joint Munitions Life-Cycle Command planning and coordination. The AMSFS-PI Office worked to support the development and approval of the Joint Munitions Life-Cycle Command (JM LCMC) Memorandum of Understanding. This was an evolutionary development of the Ammunition Enterprise (AE) with the AE Partners of JMC, PEO-Ammo, and ARDEC. The JM LCMC only includes JMC and PEO-Ammo; however, ARDEC serves a vital role. Within the JM LCMC/AE, primary responsibilities are as follows: PEO-Ammo – Ammunition Life-Cycle Integration and Acquisition; JMC – Life-Cycle Support and Logistics; and, ARDEC – Life-Cycle Engineering Support and Technology. The AMSFS-PI Office facilitated and participated in AE Advisory Council Meetings, as well as supported critical off-site meetings.

- PEO for Ammunition: The AMSFS-PI Office continued to support the stand-up of a PEO for Ammunition (PEO-Ammo) and JM LCMC, by serving as focal point for, and assuring full integration of, PEO related issues within the headquarters. This office continued to work with other JMC offices assisting and advising the AFSC/JMC Command Group on PEO related issues.

- Army Transformation Planning: Army Campaign Plan (ACP) Decision Point 54 (Theater Sustainment Commands' (TSC) C2 Relationships) directed G-4, AMC and CASCOM work together to identify C2 relationships and concept of operation for a CONUS TSC, building on the existing capabilities of the AFSC. The Army Sustainment Command (ASC) mission will be to "Provide Combat Service Support capability to Soldiers serving in CONUS and in Combatant Commands to ensure expeditionary war fighting readiness, and leverage national logistics to sustain a transforming Army at war."

- AFSC established a team to transition the command through development of a concept plan to meet the direction of Decision Point 54 transformation goals. AFSC assigned Mr. Roger Reid to direct the ASC transition team, made-up of representatives from G-1, G-3, G-4, G-7, G-8, and contractor support from LMI. We identified other representatives as Ad Hoc and are called upon for support when we need information in their area of expertise. In collaboration with FORSCOM, CASCOM, G-4 and AMC, the team identified required resources, missions, relationships, capabilities, challenges, gaps, and issues. AMC submitted the Transition team's ASC TDA/TOE structure (patterned after the CASCOM TOE model), which identified a detail of the structure, required resources, and functions.

4. **Description of the Issue**: AFSC Logistics Support & Evaluation Team (ALSET) was established on 1 July 2005 fulfilling the requirement for an Organizational Inspection Program as outlined in Army Inspection Policy (AR 1-201) and Maintenance Assistance and Instruction Team (MAIT) as outlined in Army Material Maintenance Policy (AR 750-1). The first staff visit to validate ALSET program on Army Pre-positioned Stock (APS) - 3 was conducted in October 2005.

Accomplishments:

- The team completed development and implementation of the ALSET program on September 1, 2005. Validated equipment readiness, maintenance and supply processes, conducted training to correct problems with TDA property book, shelf life management, inventory/supply chain and maintenance management utilizing the ALSET check sheets at four APS sites. Provided info on staff functions, Standard Operating Procedures, Quality Assurance process and Maintenance Workbench management. ALSET worked with key leaders to integrate Army regulatory requirements with Lean and Six Sigma process.

- Posted ALSET program to Army Knowledge Online (AKO) and AFSC G-4 website to allow access by APS and contract personnel. See AKO: https://www.us.army.mil/suite/kc/4460900 or AFSC G-4 Website: https://www6.osc.army.mil/g4_pol/.

5. **Description of Issue**: AMCOM, Integrated Materiel Management Center (IMMC) needed to provide a seamless Go-To-War capability to the Soldiers in the field.

Accomplishments:

- Soldier Focused Life-Cycle Management (SFL) is an organizational and management transformation for Weapons System Management.

- The SFL concept is a joint venture between PEO/PM and AMCOM, and is targeted at significant improvements in Readiness and Go-To-War capability for each weapon system.

- The weapon system teams will be composed of elements from the IMMC, Acquisition Center, PM, SAMD, and the AMRDEC.

- The pilot program for the SFL was the CH-47 Chinook Cargo Helicopter which was activated on 31 March 2004. The other weapon systems will make this transition over the next two years.

6. **Description of Issue**: Improve Software Engineering Process. New LEAN Software Engineering Process (SEP).

Accomplishments:

- Some of the notable changes that occurred during the year include:

    Reducing the SEP from 9 phases to 4 loops
    Shifting requirements management activities from Requirements Projects Managers (RPMs) to Team Leaders
    Training the RPMs to perform Quality Assurance activities
    Reforming the SEP Group into the Process Configuration Control Board (PCCB)
    Establishing a Supervisor's Working Group (SWG) to resource software development projects and to aid in balancing workload
    Developing organizational enterprise plans
    Configuring tools to assist in the Integrated System Procurement (ISP)
    Shifting process focus from the Capability Maturity Model (CMM) to the Capability Maturity Model Integrated (CMMI)
    Reducing lead times, cycle times, required documentation, process activities, and approvals, and overall product defects
    Developing test cases before coding begins
    Revamping the training methodology and delivery format.

7. **Description of the Issue**: Functional Requirements Authentication Board (FRAB) Report The C-E LCMC DCSRM, Cost Analysis Division (CAD) established a FRAB Report in FY 05 that contains information on all Acquisition Requirements Packages (ARPs) received from the C-E LCMC FRAB Office. Each ARP is assigned a FRAB number before it is sent out for coordination. The FRAB report is maintained in the Cost Analysis folder on the DCSRM Community Member Server. CAD reviews the ARPs to insure compliance with the regulatory Earned Value Management requirements.

Accomplishments:

- In cases where the ARP is not in compliance, CAD coordinates the appropriate changes with the C-E LCMC FRAB office. The report lists the ARPs by FRAB number, program title, dollar amount, project leader, and telephone number. The report is updated by the assigned analyst with the analyst's initials, completion date, and CAD requirements.

- The FRAB report serves as an excellent and effective internal control tool that gives supervisors and analysts the current status of the ARPs received from the FRAB Office.

- ARPs are sequentially numbered so the report also insures that all of the C-E LCMC ARPs are received by CAD for review and concurrence. Anytime there is a gap in the numbering system the CAD analyst contacts the FRAB office.

8. **Description of the Issue**: Functional Support Agreement (FSA). The Resource Management Office in the Software Engineering Directorate, developed Functional Support Agreement (FSA) which automates and standardizes the support agreement process throughout the center, was further refined to improve the flow of support agreement data; improve the Software Engineering Directorate (SED) visibility to the agreement process, and further enhance the tool's functionality.

Accomplishment:

- This tool compliments the management control program by streamlining the FSA process and reducing the time required for approval of an FSA. It also replaces the manual paperwork process and improves the ability to report on FSA data. This improves the quality of customer service and provides useful output reports for users and management.

9. **Description of the Issue**: Executive Resource Analysis Tool (ERAT). The automated ERAT, designed to organize disparate personnel, manpower, and financial data into a single web-based location, continued to save time, and facilitate executive level analysis and decision-making. It serves as a "one stop shop" for critical data elements that reside within a variety of standard and special use automation tools.

Accomplishments:

- Enhancements made to ERAT: Integrated ERAT reporting with the Monthly Employee Table (MET) database so that reporting of employee pay plans, grades and so forth, are consistent across the various manpower related reporting systems.

- Restructured underlying representation of the organization hierarchy in order to show the Software Engineering Directorate (SED) as a separate virtual Directorate, rather than continuing to mix SED personnel within the SEC Directorates.

- Improved reporting on Dropped from Roll (DFR) employees. Ensured that payouts to such employees that were made after employee separation from roll were charged against the employee's last assigned organization. Integrated military personnel/positions into manpower reporting.

10. **Description of the Issue**: A Focus on Strategic Planning. Since its establishment in 2003, CMA has been committed to improving its performance and overcoming General Accounting Office identified weaknesses through a formal strategic planning and management process.

Accomplishments:

- This Fiscal Year CMA is implementing the initiatives and actions summarized in the Agency's suite of aligned strategic planning documents developed during the past two fiscal years. The Agency is also updating its documents, including the CMA Strategic Plan, the Program Manager for Elimination of Chemical Weapons Strategic Management Plan, and annual performance plans.

- The CMA kicked-off its implementation efforts with a facilitated workshop in October 2005, the eighth in a continuing series of strategic planning and management workshops for Agency leaders. The Agency is focusing on several major initiatives including Lean Six Sigma, integrated risk management, lessons learned, surety excellence, and secondary waste and closure programs. We are tracking our implementation progress and assessing our performance using the DA Strategic Management System. As part of the SMS, we are employing a balanced scorecard methodology, along with a commercial off-the-shelf web-based software system that provides a common planning, reporting, and tracking framework and language. As DA will be replacing the front-end of the current software system with a new, improved Graphical User Interface in FY 06, the CMA will be receiving training on and migrating its performance data to the new system.

11. **Description of the Issue**: A Management Focus on Surety. Because of the high levels of risk in areas such as safety and security associated with the elimination of chemical weapons, CMA management felt the need to initiate a high level forum to address surety issues.

Accomplishment:

- Chaired by the Director of Operations, CMA leadership conducted the inaugural meeting of the CMA Commanders and Site Project Managers Surety Board. The purpose of this Board is to discuss and resolve high level surety policy issues before they become major problems that could result in the potential loss of life or property and down time accidents. The results obtained during this meeting were presented to the Director, CMA, for his immediate attention and action as appropriate.

12. **Description of the Issue**: TEAD Environmental Management System (EMS). Compliance with Executive Order (EO) 13148, for initiating an Environmental Management System (EMS) at TEAD. "Greening the Government Through Leadership In Environmental Management".

Accomplishments:

- Adopted ISO 14001 as the EMS goal. Completed an installation wide EMS self assessment and a prioritized list of environmental aspects.

- Completed one management review cycle.

- Provided installation personnel awareness-leveling training.

- Completed compliance with meeting the DOD/Army goal of implementation by 31 December 2005.

13. **Description of the Issue**: Standard Depot Operations (SDO) Assessments and Followups: Ammunition life cycle process implementation and execution at the storage activity level.

Accomplishments:

- SDO Assessments were done at BGAD, TEAD, CAAA, ADMC, HWAD, RRMC, MCAAP, LEMC, PBA and MLAAP. During these assessments, SFSJM-LI significantly improved its receipt, storage, inventory, issue, demilitarization, maintenance, and transportation processes administration and oversight through documented on-site reviews results and establishing Corrective Actions Plans (CAPs) that contain process improvements recommendations or recommendations to resolve reported conditions.

- An internal process was established, implemented, and executed, to ensure the ammunition life cycle management process at each storage activity is in place and working as intended.

- Installation Commanders, Civilian Executive Assistants, government staffs, and contractor staffs very receptive to review results and actively engaged in implementing the recommendations provided to achieve process improvements and resolve partial compliance and non-compliance conditions.

- HQ AMC, HQ AFSC, HQ JMC, and DAC organizational elements also received recommendations for implementation.

- CAP follow-up process established, implemented, and in execution to ensure achievement of process improvements and partial compliance and non-compliance conditions resolved. Alignment of SDO process reviews with the Command Assessment process reviews to ensure consistency between the respective assessments and coordinated with the DAC Worldwide Ammunition Review and Technical Assistance Program to share on-site results.

14. **Description of the Issue**: RDECOM MIC Process; Automated Management Controls Reporting Tool (MCRT). Requirement for maximum RDECOM Internal Control oversight.

Accomplishments:

- RDECOM provided demonstrations of the process and automated oversight MCRT to representatives from Walter Reed Army Institute of Research (WRAIR) and the 20th Support Command. Based on feedback and a request to share our process, an agreement was established between to provide WRAIR a template of the MCRT program as well as copies of all RDECOM's MIC process data.

- The RDECOM MIC process received positive external recognition as documented in a feedback memorandum from the WRAIR Director of Resource Management, "RDECOM's Internal Control Program is absolutely the best we have ever seen. It is clearly a best practice model that other agencies should consider and adopt. The MCRT is the only automated MIC reporting tool within the Army.

- Other organizations currently having access and capability to use the RDECOM MCRT are: Chemical Materiel Agency (CMA), Aberdeen Proving Ground (APG) Garrison/IMA, and the 20th Support Command/Guardian.

- An MIC evaluation training presentation was developed and presented along with direction for completion of the annual assurance statement to RDECOM assessable units at various sites through video teleconference to reduce travel time and training costs. Used our automated Management Controls Reporting Tool to capture Command-level and assessable units' five-year inventories of scheduled evaluations, and real-time evaluation results with DA Forms 11-2-R automatically generated, and assurance feeder statements from all assessable units.

15. **Description of the Issue**: Rating of "success" for DA Security Inspection. It is difficult to achieve a "success" or "in compliance" rating with the rigid and demanding standards set by the DA Inspector General for Security Inspections. DA IG feedback indicated that not a single Army agency has been "successful" or "in compliance" during the initial DA IG collateral inspection until RDECOM's Aviation and Missile Research, Development, and Engineering Center (AMRDEC).

Accomplishments:

- The leadership at RDECOM's AMRDEC established an internal Security and Intelligence Division that was proactive in conducting many Security Monitoring briefings and hands-on training classes, as well as providing follow-up multiple courtesy inspections of all AMRDEC's internal organizations.

- In addition to internal inspections, the Division had the HQ RDECOM team visit for a final readiness inspection before the scheduled DA Inspector General inspectors came. The result was a "successful" DA Inspector General rating accompanied by numerous laudatory comments about the Security and Intelligence Division personnel's professionalism, preparedness, and spirit of cooperativeness during the inspection. The lead DA Inspector General inspector also stated the mandatory documentation provided by the division was "the best read ahead package we had received in five years." The RDECOM Commander applauded the AMRDEC AUM for his "leadership-by-example and his personal involvement in the oversight of these programs (which) have set a highly desirable benchmark for the entire command."

16. **Description of the Issue**: Warrior Systems of Systems Integrated Process Team (IPT). Technical forum or focal point needed within RDECOM System of Systems Integration (SOSI) for Science and Technology (S&T) issues relating to the Soldier System Science and Technology program area.

Accomplishments:

- The RDECOM leadership has established a draft charter for a Warrior Systems of Systems Integrated Process Team (IPT) to provide a technical forum for issues relating to the Soldier System S&T program area. The new IPT will focus on technologies across the Warrior Systems spectrum including all that the dismounted and mounted Soldier wears, carries, or consumes. It will be closely aligned with the Natick Soldier Center's (NSC) Warrior Systems Technology Base Executive Committee.

- The final agreement of the established draft charter is currently being coordinated between SOSI and NSC.

- The Warrior IPT has already provided an assessment of TRADOC's proposed study of Combat Vehicle Crewman (CVC) helmet replacement effort, as well as several evaluations of Small Business Innovative Research (SBIR) proposals and DoD technology program evaluations.

17. **Description of the Issue**: LEAN/Six Sigma (LSS) Initiative. MSCs select LSS as a primary tool for continuous process improvement in the face of declining funding and steady workload. LSS offers those tools which streamline processes without sacrificing internal controls. It is a technique to review business processes, identify/reduce waste and improve not only critical efforts but all processes identified by management. Examples of outcomes of LSS initiatives at two MSCs are measured in cost, quality and lead-time metrics.

Accomplishments:

- At two MSCs, LSS Initiatives have resulted in over 138 projects in various states of completion and 96 "Do Its", eventuating in:

  - $7.2M in cost savings/cost avoidances.
  - Improved targeted process lead times.
  - Improved targeted process quality.
  - Reduced Manual Cycle Time (MCT) in Letter of Offer and Acceptance (LOA) quality review process by 66%.
  - Improved internal USASAC First Pass Yield on LOAs by 32%.
  - Established a standard error coding system for LOA quality.
  - Reduced MCT in requisition management by 10 work-years.
  - Reduced MCT in case closure process by 3.5 work-years.
  - Converted hard-copy products to electronic products, reducing printing/shipping costs.
  - Reduced defects in J&A by 33%.
  - Reduced flow time in Capital Improvement Program (CIP) process by 35%.
  - Reduced touch time in CIP by 51%.
  - Reduced number of non-value added steps in CIP by 50%.

- The process improvements generated by LSS certainly offer cost avoidances, however, their positive impact on quality cannot be overlooked. Each step removed from a targeted process has enhanced timeliness, reduced opportunity for errors, and built in quality control from start to finish. LSS has become a major continuous improvement tool and has emerged as a major influence on Command Strategy.

SEPARATE REPORTING ACTIVITIES:

AMC DEPUTY CHIEF OF STAFF FOR INTELLIGENCE, G-2/ITSA

1. **Description of the Issue**: AMC G-2/ITSA External and Internal Reviews. A complimentary system of internal and external oversight mechanisms is in place. Internally, the AMC G-2 conducts reviews during ISPIs, SAPSAT visits, SAVs, COMSEC inspections, and video teleconferences to gauge the security status of the command. Externally, the Defense Intelligence Agency, DA Intelligence Oversight Office, the Information Security Oversight (ISOO), the Department of Defense Inspector General, General Accountability Office (GAO), and the DA Inspector General (DAIG) inspect AMC G-2 programs.

Accomplishments:

- The G-2/ITSA accomplished the following in FY 06:

  External reviews of intelligence and security support to AMC (Command-wide) validated AMC G-2 internal intelligence and security programs. Both the ISOO and the GAO gave the AMC G-2 outstanding reviews during the reporting period.

  Disseminated the annual ISPI inspection philosophy and updated checklists to all AMC MSCs. The philosophy includes established standards for inspection. Following a review of the rating structure used for the ISPIs, which were determined to contain several "gray" areas, we updated the standards. All inspections follow the new standards.

  Trained the G-staff/Directorate security monitors quarterly on their security roles/responsibilities, new security policies, and lessons learned from inspections. These security monitors then trained personnel in their organizations. HQ Security Manager also conducted announced and unannounced inspections of the G-staff/directorates. During these inspections, the HQ Security Manager also conducted refresher training for the G-staff/directorates.

  Conducted an AMC-wide Security Awareness Day on 17 Oct 05. This was intended to focus the command on security through the use of such awareness tools as training, guest speakers, and awareness fairs. The AMC G-2 intends to conduct this annually.

  To ensure HQ AMC personnel received annual refresher security training, conducted monthly security refresher training for the HQ throughout the FY. 98% of HQ personnel availed themselves of this training. Those remaining received training by their respective security monitors. In FY 06, the AMC G-2 plans to conduct web-based training.

  Prepared inspection reports for each ISPI and conducted proper follow up to ensure deficiencies/findings were corrected. Inspected organizations had 60 days to reply by endorsement to an ISPI deficiency/finding.

  Conducted inspections of COMSEC accounts at Fort Monmouth, NJ/Mar 05; Letterkenny Army Depot, PA/Apr 05; Rock Island/Jun 05; Hawthorne/Jul 05; Sierra/   Jul 05; and Red River/Aug 05 in FY 05. The AMC G-2 also conducted inspections of COMSEC accounts at Anniston/Dec 05; AMCOM/Dec 05; Pine Bluff/Jan 06 in FY 06.

Reestablished the SAPSAT to visit and assist subordinate AMC organizations in preparation for DAIG Inspection visits. SAPSAT efforts are performed jointly with RDECOM personnel.

2. **Description of the Issue**: Special Access Programs (SAPs). The AMC G-2 is responsible for oversight of all AMC managed SAPs, to ensure a positive annual revalidation review in conjunction with the HQDA Special Access Program Oversight Committee (SAPOC) process.

Accomplishments:

- Worked with AMC organizations in preparation for the DAIG inspection visits and conducted SAPSAT visits.

- In 1QFY 05, revised the SAP standard/inspection criteria based on the DAIG inspection checklists and a review of the AR and inspection results.

- Coordinated weekly with the HQDA Technology Management Office (TMO). This process was established to ensure open findings in the Working Fix-IT process are tracked from beginning to end.

- Provided recommendations and working solutions to the Army Special Access Program Security Working Group (ASAPSWG) concerning security/management issues.

- Submitted the annual SECARMY directed data call for support to Army and non-Army SAPs to the TMO.

- Participated in all quarterly DA Working Fix-Its and Working SAPOC meetings. These meetings are a precursory review of programs prior to the Vice Chief of Staff, Army (VCSA) review. Also served as the focal point for reviewing all draft SAPOC briefing slides. Review included security and intelligence issues and threat assessments.

- Monitored all status sheet updates from subordinate organizations to ensure appropriate corrective actions for deficiencies were addressed.

- Under the Life Cycle Management Command (LCMC) concept, implemented procedures to fulfill SAP Oversight responsibilities for PEOs and newly realigned organizations.

- Reviewed and consolidated reports concerning the justification for SAP status, intelligence and security assessments, and technological merit, relationship to other programs, and inspection and audit issues.

- Scheduled a biweekly (or as needed) information session with the AMC G-2 principal (or his designated representative) in preparation for the executive level SAPOC (chaired by the VCSA) on security or intelligence issues. During this SAPOC, the VCSA personally revalidates all SAPs and approves all programs for submission to OSD as candidates for SAP status.

3. **Description of the Issue**: Intelligence Support to Capability Development. The AMC G-2 is responsible for ensuring all Army Research, Development, and Acquisition (RDA) programs receive adequate Foreign Intelligence Support, if requested. This support is in the form of day-to-day intelligence information that is relevant to the customer and the development of threats to the customer's program.

Accomplishments:

- Tracked all AMC-produced System Threat Assessent Reports (STARs) through the use of the DA STAR Status roster, ensuring that all STARs receive their required two year updates.

- Ensured participation by AMC G-2 personnel in Threat Coordinating Groups/Threat Steering Group (TCGs/TSGs) in support of Army programs and technology areas. This ensured that AMC is fully engaged in all aspects of the intelligence support process.

- Worked closely with DA G-2 to provide input to the rewrite of AR 381-11, "Intelligence Support to Capability Development", to ensure all AMC-required tasks and responsibilities are captured in the new regulation and there is language in the draft which recognizes the work AMC does in support of R&D.

- Ensured the review and comments/input to all Army produced Army Category (ACAT) I and II STARs occurs. Ensured AMC-produced ACAT III STARs are reviewed and validated IAW AR 381-11, and waivers are provided for programs and/or systems which are not affected by the threat.

4. **Description of the Issue**: Cyberthreat. The AMC G-2 is a major player within AMC in the cyberthreat arena. A major goal is to develop a capability to assess threats based on intrusions into AMC automated information systems and networks.

Accomplishment:

- Assisting the AMC G-6 in developing an AMC Cyberthreat Working Group with representation on the Working Group by all pertinent organizations (inside and outside AMC). The Working Group will consist of members from AMC G-6, ARL, U.S. Army Intelligence and Security Command's (INSCOM), 1st Information Operations (IO) Command, and Joint Task Force Global Network Operations (JTF GNO). The purpose of this Working Group will be to assess threat information and develop plans on how to counter the cyberthreats to AMC automation technology and systems.

AMC MATERIAL WEAKNESSES

TAB B

LIST OF AMC MATERIAL WEAKNESSES

MW NUMBER	TITLE	PROPONENT
New in FY 06		
USAMC-06-001	Unreliability of Financial Data for Army Working Capital Fund (AWCF)	G-3, DCS OPS
USAMC-06-002	Physical Security and Law Enforcement	G-3, DCS OPS
Prior Years		
USAMC-05-003	Army Prepositioned Stocks (APS) Equipment Readiness Deficiencies	G-3, DCS OPS
USAMC-05-002	Sustainment Support for Rapid Equipping Force (REF)/Commercial Off-The-Shelf Equipment (COTS	G-3, DCS OPS
USAMC-01-005	Industrial Base (IB) Management, Analysis, and Planning	G3, DCS OPS
USAMC-05-001	Policies Governing the Implementation of Unique Item Identification (UII) Technology	G-3, AMCOPS
USAMC-04-003	Unreliability of Financial Data in Logistics Modernization Program (LMP)	G-8, DCS RM
USAMC-03-004	Commodity Command Standard System (CCSS) and Standard Depot System (SDS) Obsolescence	G-3, DCS OPS
USAMC-01-009	Lack of Physical Security, Law Enforcement, and Force Protection Equipment and Materiel	G-3, DCS OPS
USAMC-01-008	Law Enforcement and Security Operations	G3, DCS OPS

TAB B-1

AMC UNCORRECTED MATERIAL WEAKNESSES – 5

MW NUMBER	TITLE	PROPONENT
USAMC-06-001	Unreliability of Financial Data for Army Working Capital Fund (AWCF)	G-3, DCS OPS
USAMC-06-002	Physical Security and Law Enforcement	G-3, DCS OPS

Prior Years

MW NUMBER	TITLE	PROPONENT
USAMC-05-003	Army Prepositioned Stocks (APS) Equipment Readiness Deficiencies	G-3, DCS OPS
USAMC-05-002	Sustainment Support for Rapid Equipping Force (REF)/Commercial Off-The-Shelf Equipment (COTS	G-3, DCS OPS
USAMC-01-005	Industrial Base (IB) Management, Analysis, and Planning	G3, DCS OPS

TAB B-2

Date: 10 May 06

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-06-001

<u>Title and Description of Material Weakness</u>: Unreliability of Financial Data for Army Working Capital Fund (AWCF)

Existing Army National Logistics Systems, Commodity Command Standard System (CCSS) and Standard Depot System (SDS), are at obsolescence, are incapable of meeting rigorous financial and inventory accounting standards of the Federal Financial Management Improvements Act (FFMIA), and will not support achieving a Single Army Logistics Enterprise. The Logistics Modernization Program (LMP), a modernized Enterprise Resource Planning solution, was deployed in July 2003 to select sites to replace CCSS and SDS. LMP initial deployments resulted in AMC financial operational issues including: data transfer errors, fiscal year-end close out problems, failure to appropriately recognize unbilled revenue, incorrect posting of unit of issue/unit of measure data, commingling of revenue numbers across fiscal years, and unverifiable obligation data. Users were also unable to validate inventory numbers reported by LMP.

<u>Senior Official in Charge</u>: Mr. Ronald Lewis, Director, Enterprise Integration, (703) 806-9499.

<u>Functional Category</u>: Financial Functionality Supporting Supply and Depot Maintenance Operations

<u>Pace of Corrective Action</u>:

<u>Year Identified</u>: FY 2006

<u>Original Targeted Correction Date</u>: N/A

<u>Targeted Correction Date in Last Year's Report</u>: N/A

<u>Current Target Date</u>: FY2009

<u>Reason for Change in Date(s)</u>: N/A

<u>Validation Process</u>: Independent Review and Audit

<u>Results Indicators</u>: Upon completion of FFMIA Compliance attestation by a US Army Audit Agency (AAA) LMP will be capable of providing timely, reliable, accurate financial reports that will lead to HQDA receiving and unqualified audit of Army financial statements for AWCF.

<u>Source(s) Identifying Weakness</u>: Management, AMC, Deputy Commanding General.

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-06-001

Major Milestones in Corrective Action:

A: Completed Milestones:
  Date: Milestone:
30 Oct 05   Completed stabilization of critical functional capabilities for the Pilot
                       deployment.

17 Apr 06   AAA re-started FFMIA Compliance assessment.

B. Planned Milestones in Corrective Action:
  Date: Milestone:
31 May 06   Phase 1 of AAA review is scheduled to assure FFMIA compliance (89%).

15 Dec 06   Phase 2 of AAA review is scheduled to assure FFMIA compliance
                       (100%).

31 Mar 07   System certification for first deployment sites.

4th Qtr FY08   LMP Second Deployment.

4th Qtr FY09   LMP Third Deployment.

OSD or HQDA Action Required: N/A – Information Only (Ms. Theresa M. Grimm, DALO-SMP
(703) 697-7166), email: Theresa.Grimm@us.army.mil.

Note: AMC, Deputy Commanding General directed closure of two prior year material
weaknesses and to combine both (USAMC-03-004 and USAMC-04-003) into this new material
weakness. The solution to obtaining quality Army Working Capital Fund financial information,
which is both relevant and reliable, is the retirement of the obsolete national level logistics
systems, which provides feeder financial data, and correcting the LMP initial deployment financial
issues. LMP's initial deployment financial issues are being corrected in coordination with AAA
and DFAS, and are currently undergoing validation by AAA. Subsequent deployments of LMP to
other AMC and supporting DFAS sites will begin once AAA validates that LMP is compliant with
FFMIA, and will phase out the obsolete legacy systems at those sites. Target for completing
LMP deployment (2nd and 3rd fielding) is expected to occur in FY09.

Points of Contact:
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UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-06-002

Title and Description of Material Weakness: Physical Security and Law Enforcement

The Army Materiel Command has concerns for physical security and law enforcement operations in the long term in the areas of manpower and equipment. Since 9/11, HQDA has mandated the performance of 100% identification checks and random vehicle inspection programs at all perimeter access control points and little has been accomplished to address the requirement in the long term. HQDA in the short term, is utilizing contract security guards (CSGs) hired under the Defense National Authorization Act of Dec 02 (DNAA02). This is a short term authorization from Congress and does not provide for the long term. In an effort to offset manpower costs, HQDA utilizes physical security equipment, sensors and physical barriers to protect Army assets.

For equipment, the Army Materiel Command has concerns in the equipment sustainability and the integration of new technologies into the force protection (law enforcement and physical security) operations across AMC. Requirements have been identified annually to procure and sustain security equipment and materiel in support of Force Protection programs; however, PBG is limited in its ability to support the requirements within OMA.

Since 9/11, HQDA (OPMG) has initiated centrally managed programs on physical security equipment standardization packages, i.e., perimeter entry control standardization. Although GWOT resourced the first 27 of the 139 (for AMC interest at 9 of 36) identified installations, out year resources to complete the initiative are not identified. To further compound this issue, HQDA (OPMG) has recently established an Automated Installation Entry Working Group (AIEWG) to look at implementation of electronic technology for perimeter access control entry gates to harvest cost savings in manpower. HQDA is attempting to procure resources for this initiative. In addition, many of the AMC installations Intrusion Detection Systems (IDS) are aging systems and are not, although identified as required, currently projected for replacement within established life-cycle processes. As other cost for out years increase (i.e., CSGs, DA civilian manpower, training, etc.), it is imperative that corresponding security equipment requirements be resourced as well. In order to meet future strategic objectives, the integration of new technologies, such as the "smart gate" technology, is integral to the success of force protection initiatives.

Senior Office in Charge: Mr. Niels Biamon, Director for Current Operations, (703) 806-840`.

Functional Category: Personnel - Force Protection (Physical Security and Law Enforcement Operations).

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-06-002

Pace of Corrective Action (Continued):

Year Identified: FY 2006

Original Targeted Correction Date: N/A

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2008

Reason for Change in Date(s): N/A

Validation Process: Independent Review and Audit

Results Indicators: N/A

Source(s) Identifying Weakness: Management - Directed by the Deputy Command General, AMC

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:	Milestone:
Jan 2005	Worked with AMC G-8 (OMA, Army Working Capital Fund G-3 (Chemical Biological) and G-3 (Ammunition) on Schedule 75 and POM submission of requirements. Submitted Schedule 75 for FY07-11 requirements to DA OPMG. Re-validated manpower requirements from DA OPMG USAMPS ACP Study. Revalidated CSG requirements under DNAA02.
Jan 2006	Worked with AMC G-8 (OMA, OPA, MCA, and AWCF Representatives) to support Force Protection projects for physical security equipment and site improvements.
Apr 2006	Validated Department of the Army Civilian (DAC) manpower requirements and contract security guards (CSG) requirements under DNAA02.

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-06-002

B. Planned Milestones (Fiscal Year 2006 and 2007):

Date: Milestone:

Dec 2006   Submit requirements to FY 09-12 Schedule 75 and POM Cycle and
                    support requirements through various AMC and DA level review
                    processes.

Jan 2007   Continue to revalidate manpower requirements to and from DA OPMG
                     in manpower requirements drill.

OSD or HQDA Action Required: Information Only. HQDA, OPMG, Mr. Rick Miller,
Telephone (703) 695-4210.

Note: AMC, Deputy Commanding General directed closure of two prior year material
weaknesses and to combine both (USAMC-01-008 and USAMC-01-009) into this new material
weakness.

Point of Contact:
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                 9301 Chapek Road, Fort Belvoir, VA 22060-5527
Telephone: (703) 806-9306, DSN 656-9306

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-05-003

<u>Title and Description of Material Weakness</u>: Army Prepositioned Stocks (APS) Equipment Readiness Deficiencies

<u>Senior Official in Charge</u>: Mr. Gary Motsek, Director, G-3 Support Operations, (703) 806-9836.

The US Army Field Support Command (AFSC) is responsible for providing maintenance and repair at APS locations. AFSC has entered into contractual agreements with commercial contractors and service agreements with other military activities to provide required maintenance of APS equipment. AFSC provides funding to the AFSC component for maintenance. The AFSC component either awards a maintenance contract to a private contractor or enters into a service agreement with another military activity. AFSC may have paid for maintenance work that was either not performed or for which AFSC should have received reimbursement.
As a result, in some cases APS equipment readiness levels are diminished and maintenance backlogs exist. Indications are the AFSC policy for centralized acceptance of customer's orders is not being followed by subordinate organizations. This policy requires that reimbursable orders be centrally accepted as AFSC HQs to control workload, safeguard AFSC resources, and to ensure that proper budgetary authority exists to perform against the order.

<u>Functional Category</u>: Manufacturing, Maintenance, and Repair; Force Readiness; Comptroller and/or Resource Management

<u>Pace of Corrective Action</u>:

      <u>Year Identified</u>: FY 2005

      <u>Original Targeted Correction Date</u>: FY 2007

      <u>Targeted Correction Date in Last Year's Report</u>: FY 2007

      <u>Current Target Date</u>: FY 2007

      <u>Reason for Change in Date(s)</u>: N/A

<u>Validation Process</u>: Independent Review Office or an independent third party will validate.

<u>Results Indicators</u>: Verification that funded APS maintenance work is actually being completed satisfactorily. Complete with DA G-4 required metrics to assure adequate reporting of expenditures and work performed by APS sites.

<u>Source(s) Identifying Weakness</u>: GAO Audit.

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-05-003

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:	Milestone:
Dec 2004	Identified maintenance and funding issues related to APS.
Feb 2005	Established weekly reporting on status of APS Brigade equipment and management improvement initiatives.
May 2005	Facilitated AMC management of APS OPCON of APS Support Division as agreed by AMC and MACOM.
Sep 2005	Completed selected APS repairs to standard.
Nov 2005	Developed appropriate metrics and incorporated into the AFSC Management Control Plan.
Dec 2005	Conducted review of annual maintenance plan for each APS site.
Jan 2006	HQ, AMC G-3 established a quarterly program for review and validation of funds expenditure and accomplishment of annual maintenance production plan. With exception of Mar 06, monthly VTCs with DA, EUSA, AMC and EUSA are scheduled from Dec 05 thru Oct 06 to surface and discuss all issues to include funds and status of equipment.
Mar 2006	AMC Inspector General finished review of APS program.
Mar 2006	Incorporate requirement for a monthly assessment of quality control at each APS site into AMC Supplement to AR 710-1, Chapter 6.

B. Planned Milestones (Fiscal Year 2006):

Date:	Milestone:
Aug 2006	Draft AMC Supplement document requires revision. Anticipate completion 3rd Quarter FY 06.

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-05-003

C. Planned Milestones (Fiscal Year 2007 and beyond):
<u>Date</u>:   <u>Milestone</u>:
Dec 2007   Internal Review Office to verify completion of corrective actions.

<u>OSD/HQDA Action Required</u>: N/A

<u>Note</u>: Oct 2005 - AFSC developed a coordinated and approved Care of Supplies in Storage (COSIS) plan for each APS site. Jan 2006 - AFSC Enforced existing policy and implemented a funds control and validation process to track expenditures. Mar 2006 – AFSC shows field-level weakness as corrected in the FY 06 AFSC Annual Statement of Assurance.

<u>Point of Contact</u>:
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UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-05-002

<u>Title and Description of Material Weakness</u>: Sustainment Support for Rapid Equipping Force (REF)/Commercial Off-The-Shelf Equipment (COTS)

Special demands of OIF/OEF have caused the Army and other services to rely heavily on COTS items which were acquired through unconventional fieldings. These items were introduced into the operational theaters without plans to sustain them, including lack of plans to establish and maintain accountability. The Army Materiel Command (AMC) became aware of this issue after thousands of these items were already in use in Iraq and Afghanistan. To rectify this problem, AMC joined with the Rapid Equipping Force (REF) activity to develop Sustainment strategies for approximately 65 different COTS items which totaled over 5000 pieces. At the time, REF was viewed as the primary buyer of this state-of-the-art, technologically advanced equipment. It was later discovered, however, that there were many other buyers of COTS items, including the Criminal Investigation Division, Federal Bureau of Investigation, Defense Threat Activity, Defense Logistics Agency, various Program Managers for experimental purposes and, often, the Warfighting units. In many instances, several agencies were buying the same COTS items as was the case with the Vapor Tracers and Buffaloes. The magnitude of buyers increased AMC's challenge of repairing and providing asset visibility for COTS items which also lacked standard LINs and NSNs. To further exacerbate the problem, there was no focal point in theater to coordinate maintenance support and capture these items on property books. There was little or no information on the original vendor, spare parts data and warranty information.   As the designated sustainer for all stay behind equipment in theater, including COTS items, AMC was required to put in place an internal structure to manage COTS Sustainment in support of the Global War on Terrorism (GWOT) and subsequent spiral deployment into the future force.

<u>Senior Official in Charge</u>: Mr. Gary Motsek, Director, G-3 Support Operations, (703) 806-9836.

<u>Functional Category</u>: Sustainment

<u>Pace of Corrective Action</u>:

   <u>Year Identified</u>: FY 2005

   <u>Original Targeted Correction Date</u>: FY 2006

   <u>Targeted Correction Date in Last Year's Report</u>: FY 2006

   <u>Current Target Date</u>: FY 2007

   <u>Reason for Change in Date(s)</u>: Major review and modification of existing support structure required.

<u>Validation Process</u>: Independent review and audit (Quarterly Reviews)

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-05-002

<u>Results Indicators</u>: Number of COTS items repaired and captured on property books.

<u>Source(s) Identifying Weakness</u>:   Management, Warfighter units.

<u>Major Milestones in Corrective Action</u>:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
2005	Identified COTS items procured by REF requiring Sustainment.
	Assigned pseudo LINs for each COTS item to ensure accountability.
	Synchronized COTS Sustainment support with designated LCMC commodities.
	Developed Sustainment strategies for 65 REF COTS items.
	Developed COTS turn in for repair procedures in theater.
	Documented spare parts and warranty data.
	Developed vendor repository for COTS items.
	Determined FY 06 GWOT requirements for COTS Sustainment.
	Designated AMC forward repair activities as the providers for repair and asset visibility.
	Developed Army-wide web page to provide key Sustainment strategies and other key data elements – www.cots.army.mil.
	Specified HQ, AMC roles and responsibilities as the "entry point" for COTS Sustainment.
	Partnered with non-REF activities for COTS Sustainment.
	Provided weekly updates on Sustainment efforts for Top 5 COT items.
	Coordinated required resources (personnel and facilities).
	Conducted AMC-wide monthly reviews of COTS Sustainment.

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B. Planned Milestones FY 2006:

<u>Date:</u>	<u>Milestone:</u>
3rd Qtr 2006	Modified Army-wide COTS web page reflecting Sustainment strategies.
	Expedited deployment of dedicated repair technicians for COTS items deemed critical for mission accomplishment.
4th Qtr 2006	Documented COTS items in SLAMIS database (9 non-standard LINs).
	Developed Sustainment strategies for other non-REF items.
	Consolidated COTS items by LCMC, vendor, cost, warranties, UIC and quantities.
	Formed partnership with various vendors on systems with expired warranties.

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-05-002

C. Planned Milestones FY 2007:

Date:	Milestone:
1st Wtr 2007	Update identification of COTS items in SLAMIS database. Revise existing sustainment strategies on the Army-wide COTS web page. Increase level of sustainment for COTS items procured by Program Mangers. Determine ownership, quantity and location of other COTS items requiring repair. Increase visibility of AMC's role as the sustainer of all COTS in theater.
2nd Qtr 2007	Establish a unified plan for funding COTS sustainment in POM years. Modify and create sustainment procedures for repair and accountability. Partner with other services to provide sustainment of their COTS items.
3rd Qtr 2007	Obtain vendor data from OEMs. Replace COTS sustainment services currently provided under expiring contracts and warranties.
4th Qtr 2007	Increase hiring of personnel to tackle growing number of COTS items requiring repair. Acquire addtional repair and billet facilities at the forward repair activities. Remain cognizant of spiral development initiatives.

OSD or HQDA Action Required: Funding for repair, floats, facilities and contractor personnel.

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E-mail: Commie.bussey@us.army.mil

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-005

<u>Title and Description of Material Weakness</u>: Industrial Base (IB) Management, Analysis, and Planning

<u>Senior Official In Charge</u>: Mr. R. Davis, Director, Business Transformation, G-7 (703) 806-8881.

Army lacks sufficient IB planning capability to efficiently and effectively support contingency operations and the transformation.

Army Materiel Command (AMC's) staff management has been reduced over the last several years such that there is inadequate management level expertise to effectively manage the Army's IB mission. There is no systematic mechanism across the AMC to perform IB management, analysis, and planning. This includes the lack of ability to identify IB issues that would prevent us from meeting contingency or replenishment requirements. There is no systematic approach among the Acquisition Community to performing the IB mission.

The primary source of funding for functions outlined in AR 700-90 pertaining to IB missions has been reduced in FY 07 and zeroed out after FY 07. Army leadership has been briefed on the impact of loss of this program and its impact on our abilities to address IB issues. Industrial Preparedness Operation (IPO) requirements have been briefed to the SS PEG during this POM cycle. The program has been restructured to leverage other DOD agencies in an effort to reduce the cost of the program. Interface with DCMC IAC and Industrial College of the Armed Forces have been established to gain synergies on industrial base analysis.

<u>Functional Category</u>: Industrial Base Management

<u>Pace of Corrective Action</u>:

<u>Year Identified</u>: FY 2001

<u>Original Targeted Correction Date</u>: FY 2003

<u>Targeted Correction Date in Last Year's Report</u>: FY 2006

<u>Current Target Date</u>: FY 2008

<u>Reason for Change in Date(s)</u>: (1) AMC G3 Industrial Operations re-organized to AMC G7 1 Nov 05. (2) AMC G7 is restructuring Industrial Preparedness Operations (IPO) program and funding for FY 08-11. HQDA has divested IPO funding for FY 08-11 and 54 (51 direct & 3 indirect) manning slots are adversely impacted. (2) AMC is developing the Army's Industrial

UNCORRECTED MATERIAL WEAKNESS

Reason for Change in Dates(s) Continued:

Base Strategic Plan in two parts. Implementation for Part 1 occurred Sep 05. (3) USAAA completed the audit on the Impact of Warranties on Weapons Systems Maintenance Costs. AMC is unable to provide HQDA G4 with an annual warranty report. AMC is working with DA G4 to implement recommendations as deemed appropriate. (4) Directorate is the lead for AMC's Partnership Program. Developed Business Development Plan and are developing a National Marketing Strategy for AMC. (5) Directorate is assigned the AMC mission in support of the Committee on Foreign Investments in the United States. Review individual cases and integrate AMC's input and provide to Army. (6) Directorate is assigned AMC lead for the Arsenal Support Program Initiative (ASPI).

Validation Process: Independent Review and Audit

Results Indicators: Industrial Base and Quality Offices at HQ AMC and LCMCs have access to resources needed to identify production base capabilities, IB and Quality issues and shortfalls, and coordinating across all levels of the Army and with other services.

Source(s) Identifying Weakness: Issue raised by the Commanding General of AMC.

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:	Milestone:
Dec 2004	3rd Revision of AR 700-90 and published. DCMA-IAC delivers Phase II, Army IB Transformation Study Report to AMC.
Apr 2005	CG AMC tasked development of Army IB Strategic Plan, Part I (Organic Base) and Part II – entire IB.
May 2005	OSD-ALT approves DOD DMSMS Guidebook with Army practices included. AMC Partnering Opportunities for Industry posted onto AMC Webpage. ABIC BCA study on Develop Plan to Reverse Engineer Obsolete Parts-Follow-on Study completed. Instituted Rapid Review Team concept of reviewing and reporting industry best Practices through on-site visits by industry experts.
Jun 2005	HQ AMC Quality Strategy finalized.
Jul 2005	DOD DMSMS Center of Excellence (COE) Steering Committee constituted under Co-Chairs of DLA and GIDEP. AMC part of management process for DMSMS.

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-005

A. Completed Milestones (Continued):

Date:	Milestone:
Aug 2005	Army DMSMS SRS/BSC Level II Metrics reporting initiated.
Sep 2005	Army organic IB Strategic Plan signed and released by CG AMC.
	Army DMSMS IPO Metrics reported to DA G4 Sustainment PEG.
Oct 2005	Updated AR 700-139, Army Warranty Program approved and released.
	Army IB update to DCMA's DCIP List provided.
Nov 2005	AMC Partnering Enterprise Business Plan completed.
	HQDA closed AMC's ABIC Initiative on Reverse Engineering of Obsolete Parts.
Dec 2005	CTC Study with IDA Independent Assessment on functionality transition of the Army DMSMS INFO System to DSPO completed.
Mar 2006	Secretary of the Army approved ANAD CITE Amendment for Assault Bridging and TYAD CITE Amendment for C4ISR.
Apr 2006	Army IB Strategic Plan, Part II Organic and Commercial Base Strategic Plan signed and released by CG AMC.
	G7 decision on Army DMSMS INFO System functionality transition to DSPO's Shared Data Warehouse (SDW) issued.

B. Planned Milestones (Fiscal Year 2006):

Date:	Milestone:
Jun 2006	G7 will issue plan to reinvigorate Army's Warranty Program.
	Army MOA with DCMA Industrial Analysis Center to be signed.

C. Planned Milestones (Fiscal Year 2007 and beyond):

Date:	Milestone:
Sep 2007	Complete transition of Army DMSMS INFO System to DSPO SDW.
Oct 2007	No OMA IPO funding in POM 08-13 – IB Mission adjusted accordingly.

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CORRECTED CLOSED FOR REPORTING TO HQDA – 5

USAMC-05-001 Policies Governing the Implementation of G-3, AMCOPS
Unique Item Identification (UII) Technology

USAMC-04-003 Unreliability of Financial Data in Logistics G-8, DCS RM
Modernization Program (LMP)

USAMC-03-004 Commodity Command Standard System (CCSS) G-3, DCS OPS
and Standard Depot System (SDS) Obsolescence

USAMC-01-009 Lack of Physical Security, Law Enforcement, G-3, DCS OPS
and Force Protection Equipment and Materiel

USAMC-01-008 Law Enforcement and Security Operations G3, DCS OPS

TAB B-3

CORRECTED MATERIAL WEAKNESS

<u>Title and Description of Material Weakness</u>: Policies Governing the Implementation of Unique Item Identification (UII) Technology.

Implementation of Unique Identification (UID) in DOD is described as a strategic imperative, necessary to consistently locate, control and value assets anywhere and anytime. The goals of UID are to:

- Achieve lower life cycle cost of item management.
- Improve operational readiness.
- Capitalize on leading practices and embrace open standards.
- Improve life cycle property management.
- Provide financial accountability of property and asset visibility throughout the life cycle.
- Reduce burden on workforce through increased productivity and efficiency.

Unique Item Identification (UII) is machine readable (and normally human readable) information that is to be marked upon specified items of Army property to identify the individual item as globally unique throughout its life cycle. Marking, verifying, Capturing and utilizing the UII within requisite Automated Information Systems (AIS) Involve the use of Automatic Identification Technology (AIT) enablers which facilitate data capture, aggregation, transfer, and transmission within the Army enterprise. Although AIT plans that include UID/UII have been developed at the DOD and DA levels, policies for UID are still evolving. These draft policies and already existing procurement guidance from DOD are not synchronized.

AMC Item Unique Identification (IUID) Implementation Plan will be the overarching plan for AMC and will include both supply and maintenance. Each Life Cycle Management Command (LCMC) and Separate Reporting Activity (SRA) will develop their own IUID Implementation Plan that delineates their role, spells out who is responsible to ensure compliance with this plan, and other applicable documentation and costs associated with implementing the IUID program.

CORRECTED MATERIAL WEAKNESS

<div align="right">Local ID # USAMC-05-001</div>

UID is an unfunded mandate by DOD. As written, the DOD UID policy timelines are unrealistic. There are significant issues with funding, standardization and evolutionary stage of the technologies involved, AIT system modification timelines, technical engineering and modifications, user training, business process reengineering, and the scale of the legacy marking requirement. Legacy marking mission is an example of the unrealistic of the mandate. The requirement is that by 31 December 2010, the Army must mark all qualifying legacy items. An estimate is 38.5 million individual items would require marking.

If sufficient marking equipment were already procured and installed, personnel trained and available, AIS processes modified and tested, equipment to be marked queued and available, and marking were to begin on 1 June 2005, the Army would have to mark 18,882 items a day to meet the 31 December 2010 deadline.

The war on terrorism takes precedence on available resources and thus has delayed UID implementation plans and implementation. AMC industrial base activities do not yet have the necessary UID marking and reading equipment, trained personnel, and AISs to maintain the marked items. New acquisitions containing UID are being registered via WAWF in the national database but not our logistics information systems. Our emerging and enduring logistics AIS will be developed or modified from part number to unique item management starting in the CY 08 (concurrent with SAP implementation) timeframe, but legacy systems cannot be economically modified. Absence of funding has also adversely impacted updating of engineering drawings to identify the type and location of UID marking.

Final requirements need to be assessed based on the total investment required and the impact to both logistics and Army budgets. It is essential that further refinement, resource planning, return on investment, and technical coordination take place among DOD, the Services, the Assistant Secretary of the Army for Acquisition, Logistics and Technology, HQDA G4, and AMC to ensure we have a plan that (1) supports the Warfighter (2) is integrated into the Logistics Enterprise, (3) is clear and executable, and (4) affordable.

Functional Category: UID Policies may affect all of the following functional areas: Acquisition, Finance, Product Lifecycle Management, Major Subordinate Command Maintenance Management, Supply Chain Planning, Sales and Distribution/Warehouse Management/Inventory Management, and Depot Operations

Pace of Corrective Action:

    Year Identified: FY 2005

    Original target date: FY 2010

    Targeted Date in Last Year's Report: FY 2010

    Current Target Date: FY 2006

CORRECTED MATERIAL WEAKNESS

Local ID # USAMC-05-001

Reason for Change in Dates(s): DCG directed G-3 to update this MW with close out actions.

Validation Process: Independent Review and Audit.

Results Indicators: Army Working Capital Fund (AWCF).

Source(s) Identifying Weakness: Management, AMC G-3, Enterprise Integration.

Major Milestones in Corrective Action:

A.   Completed Milestone Dates:

Date:	Milestone:
Mar 2003	AMC AIT Implementation Plan
Apr 2004	Army Draft UID Policy
Jun 2004	AMC Evaluation and Analysis of DOD and Army UID Policy
Jul 2004	Draft AMC AIT IPT Charter and AMC AIR IPT.
Jan 2005	AMC AIT IPT.
Mar 2005	UID DFARS Change. Draft Final Revised AMC AIT Implementation Plan.
Jun 2005	Final AMC AIT Charter.
Jul 2005	IOC for UID Marking at Letterkenny Army Depot.
Jan 2006	All Non-ACAT 1D Programs submit UID Plans to MDA
Jan 2006	All GFE property must meet UID Policy requirements

B. Planned Milestones: (Fiscal Year 2006 and 2007):

Date:	Milestone:
None.	

CORRECTED MATERIAL WEAKNESS

Local ID # USAMC-05-001

<u>OSD or HQDA Action Required</u>: Information Only.

<u>Note</u>: Closed for reporting to HQDA.   HQ, AMC G-3, Enterprise Integration will continue to work with AMC MSCs LAISO, LOGSA and Army, G-4, PM J-AIT and DOD to provide recommendations on evolving DOD/HQDA policies and regulations. In addition, HQ, AMC G-3 Enterprise Integration is working closely with HQ, AMC functional representatives, LAISO, LOGSA and AMC MSCs to develop an AIT implementation plan, policies and procedures that will incorporate RFID/UID into a Single Army Logistics Architecture.

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CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-04-003

Title and Description of Material Weakness: Unreliability of Financial Data in Logistics Modernization Program (LMP).

Conversion to Logistics Modernization Program (LMP) presents a serious challenge to the Defense resource community due to potential loss of financial situational awareness within the Army Materiel Command. Pilot site users continue to observe problems associated with duplicate postings not caught by the system, commingling of revenue numbers across fiscal years, overstatement of unfilled orders and unverifiable obligation data. Users are also unable to validate inventory numbers reported by LMP. Inventory numbers are overstated because of inadequate unit of issue/measure controls within the system. The cumulative effect of carrying over unverifiable inventory numbers has resulted in disclaimers on the AWCF end-of-year financial statements for two consecutive years and has called into question the soundness of key financial data which feeds into the Defense budget.

Functional Category: Finance/Resource Management

Pace of Corrective Action:

Year Identified: FY 2004

Original Targeted Correction Date: FY 2005

Targeted Correction Date in Last Year's Report: FY 2006

Current Target Date: FY 2007

Reason for Change in Date(s): Per PM, LMP, First Deployment Acceptance will incorporate the required Financial Operations Review. Corrective actions cannot be properly evaluated until completion of the USAAA review in Mar 07. PEO, EIS has agreed to report and track this material weakness in FY 07. Closed for AMC reporting to HQDA.

Validation Process: Independent review and audit

Results Indicators: Successful completion of the First Deployment Acceptance. Following completion of this review, we will be in a better position to evaluate the effectiveness of system changes in LMP and reassess the reliability of LMP financial data.

Source(s) Identifying Weakness: Management

CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-04-003

Major Milestones in Corrective Action:
A. Completed Milestones:

Date:	Milestones:
Aug 2002	HQAMC developed the construct of Internal Work Performed to replace traditional inter-AWCF activity sales, thus permitting the logistics community to realize efficiencies in business process reengineering.
Mar 2003	Stabilization Integration Plan approved.
Sep 2004	Together with DFAS, the G-8 began development of the financial changes required to adopt the One Company Code configuration of the ERP solution. The G-8 has already convinced HQDA and OSD(C) to accept these changes.
Mar 2005	Evaluated the functionality of the LMP solution, the G-8 has built a solid team of DFAS, HQ, AMC, CECOM and TYAD senior leaders who are focused on concerns of the financial community. This team held weekly IPRs to address data migration, interface, training, functionality and CFO compliance, while identifying areas that pose excessive financial risk and potential loss of financial situational awareness. Procurement Automated Data and Document System (PADDS) and Financial data cleansing activities in process.

B. Planned Milestones (Fiscal Year 2007):

Date:	Milestones:
Oct 2006	Federal Financial Management Improvement Act (FFMIA) Audit to validate that inventory data in the system is reliable.
Dec 2006	The First Deployment Acceptance which will test and evaluate system changes in LMP. Following successful completion of this review o/a 31 Jan 07, we will be in a better position to determine the reliability of LMP financial data and success of stabilization activities.
Mar 2007	Third deployment, followed by IG, DOD review of methodology and OSD Comptroller Certification.
31 Jul 2007	IRACO, Internal Review will review completed milestones.

CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-04-003

C. Planned Milestones (Beyond Fiscal Year 2006):
Date: Milestones:
None.

OSD or HQDA Action Required: Information Only.

Note: Closed for AMC Reporting to HQDA. Both USAMC-04-003 and USAMC-03-004 have been combined into a new FY 06 AMC-level Material Weakness - # USAMC-06-001.

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CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-03-004

Title and Description of Material Weakness: Commodity Command Standard System (CCSS) and Standard Depot System (SDS) Obsolescence

Army Wholesale Logistics is currently supported by an obsolete, inefficient automation system that lacks the dynamic, flexible responsiveness necessary to supporting the Army into the 21st Century.

The Army's current Wholesale Logistics systems are the Commodity Command Standard System (CCSS) and Standard Depot System (SDS). These thirty-year-old systems are based on outdated business practices, hardware, and software. These systems, written primarily in Common Business Oriented Language (COBOL) 74 code, have evolved into a complex, tightly integrated system that is difficult to maintain and adapt to changing needs. Though continuously modified and revised, these systems remain essentially batch-process oriented, card-image driven non-relational database structured, and user-unfriendly processes. This approach to information management renders CCSS and SDS incapable of supporting future Army objectives in the logistics area, such as total asset visibility, reducing inventory stock through supply chain management, and the Future Logistics Enterprise (FLE). In light of the current commercial environment of Commercial Best Business Practices and Commercial Off-the-Shelf (COTS) software that exemplifies an integrated enterprise dealing in real-time information and dynamic integrated processes managed by Enterprise Resource Planning (ERP) software, CCSS and SDS are woefully antiquated systems.

The Army will not be prepared for the future unless it completes an unprecedented transformation in how it supplies and sustains the total Army. It must conduct business process reengineering (BPR) that eliminates activities that do not add value and develop processes that expedite sound decision making, both on the battlefield and at home. To this end, the Logistics Modernization Program (LMP) was conceived in 1997 and created to ensure the Army's combat readiness by modernizing the Army's wholesale logistics processes through the implementation of Commercial Best Business Practices that includes an ERP solution. The LMP will purchase a service, not a system, to replace the Army's current thirty-year-old system.

The LMP Pilot program is currently being used by approximately 4000 users at various locations to include HQ, AMC, Army Communications-Electronics Command (CECOM), Tobyhanna Army Depot, and DFAS. The system is used daily in support of units currently employed in war fighting operations. Problems Identified are being solved using Tiger Teams that consist of the LMP Service Provider contractors and Government using Tiger Teams that consist of the LMP Service Provider contractors and government Personnel. Stabilization has taken longer than expected due to problems encountered with the interfaces between the ERP solution system and the government legacy systems that support the Acquisition missions. Key AMC directorate leaders are briefed on a bi-weekly basis on specific corrective actions taken. Additionally, the program continues to be intensively managed by PD LMP with monthly reviews by The AMC Senior Executive LMP Oversight Committee (SELOC).

CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-03-004

Functional Category: Supply Operations – Commodity Command Standard System (CCSS) and Standard Depot System (SDS) Replacement

Pace of Corrective Action:

Year Identified: FY 2003

Original Targeted Correction Date: FY 2004

Targeted Correction Date in Last Year's Report: FY 2005

Current Target Date: FY 2006

Reason for Change in Date(s): Initial Pilot deployment of LMP occurred in July 2003. In FY 06, HQDA instigated a strategic pause to allow time to resolve outstanding financial issues and any remaining critical issues remaining from the pilot site users. Upon completion of LMP fielding, Army Wholesale Logistics will be supported by a streamlined, integrated, state-of-the art system that will provide significantly improved responsiveness to sustain the Warfighter.

Validation Process: Independent Review and Audit

Results Indicators: Upon completion of LMP, Army Wholesale Logistics will be supported by a streamlined, integrated, state-of-the art system that will provide significantly improved responsiveness to sustain the Warfighter

Source(s) Identifying Weakness: Management, Deputy Commanding General of AMC.

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:	Milestone:
30 Dec 1999	LMP Contract awarded to CSC.
3 Jul 2000	Transfer of legacy system support for CCSS and SDS to CSC.
18 Nov 2000	LMP Business Process Reengineering (BPR) and Analysis (BPR&A) recommendation report approved: SAP recommended as ERP for LMP.
19 Jun 2001	Proof of Concept, business process Blueprint version 1.0 and initial Services Description Document and Implementation Plan completed.
17 May 2002	Blueprint version 2.0 baselined.
20 Aug 2002	Systems Integration Testing (SIT) Initiated.
23 Jun 2003	"Go-Live" Decision made.

CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-03-004

A. Completed Milestones (Continued):

Date: Milestone:

7 Jul 2003   LMP Pilot (First Deployment) initiated.

6 Jan 2003   Pilot Stabilization efforts initiated, per AMC Commanding General's guidance. Corrective action being worked through Tiger Teams (consisting of LMP Service Provide contractors and MSC government personnel).

30 Oct 2005   Completed stabilization of critical functional capabilities for the Pilot deployment.

B. Planned Milestones (Fiscal Year 2006 and 2007):

Date: Milestone:

30 Jun 2006   Army Audit Agency (AAA) review is scheduled to assure FFMIA compliancy.

31 Mar 2007   Internal Review Office verification of completed milestones.

OSD or HQDA Action Required: Information Only.

Note: Closed for AMC Reporting to HQDA. Both USAMC-03-004 and USAMC-04-003 have been combined into a new FY 06 AMC-level Material Weakness - # USAMC-06-001.

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CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-009

Title and Description of Material Weakness: Lack of Physical Security, Law Enforcement, and Force Protection Equipment and Materiel

The Army Materiel Command has concerns in the equipment sustainability and the integration of new technologies into the force protection (law enforcement and physical security) operations across AMC. Requirements have been requested annually to procure and sustain security equipment and materiel in support of Force Protection programs; however, PBG is limited in its ability to support the requirements within OMA, but particularly within OPA and MCA. Since 9/11, HQDA (OPMG) has initiated physical security equipment standardization packages (i.e., gates without complete scheduled resourcing). Although GWOT resourced only the first 27 of the 139 (for AMC 9 of 37) identified installations, GWOT is shortly to be unavailable. In addition, many of the AMC installations intrusion detection systems (IDS) are aging systems and are not, although identified as required, currently projected for replacement. As other costs for out years increase (i.e., CSGs, DA civilian manpower, training, etc), it is imperative that corresponding security equipment requirements be resourced as well. In order to meet future strategic objectives, the integration of new technologies, such as the "smart gate" technology with its potential cost savings benefits, is vital to the success of force protection initiatives.

Functional Category: Force Protection (Physical Security and Law Enforcement Operations)

Pace of Corrective Action:

Year Identified: FY 2001

Original Targeted Correction Date: FY 2002

Targeted Correction Date in Last Year's Report: FY 2007

Current Target Date: FY 2008

Reason for Change in Date(s): Numerous requirements remain unfinanced. Resubmit in FY09-13 Schedule 75 and POM Cycle.

Validation Process: Independent Review and Audit

CORRECTED MATERIAL WEAKNESS

Local ID # USAMC-01-009

Results Indicators: Installations performance of physical security measures and protection of Army assets at the installation levels can be met through sustaining Force Protection Condition (FPCON) level Bravo per requirements determination. However, higher FPCON would require additional support.

Source(s) Identifying Weakness: Management – Directed by CG, AMC

Major Milestones in Corrective Action:

A. Completed Milestones:
Date: Milestone:
Jan 2003   Worked with AMC G-8 (OMA, Army Working Capital Fund G-3
                            (Chemical Biological) and G-3 (Ammunition) on Schedule 75 and POM
                            submission of requirements.

Jan 2004   Worked with AMC G-8 (OMA, Army Working Capital Fund G-3
                            (Chemical Biological) and G-3 (Ammunition) on Schedule 75 and POM
                          submission of requirements.

Jan 2005   Worked with AMC G-8 (OMA, Army Working Capital Fund G-3
                            (Chemical Biological) and G-3 (Ammunition) on Schedule 75 and POM
                            submission of requirements.

Jan 06   Submitted requirements to FY09-13 Schedule 75 and POM Cycle

B. Planned Milestones (Fiscal Year 2006 and FY 2007)
Date: Milestone:
None.

OSD or HQDA Action Required: Information Only.

Note: Closed both 01-009 and 01-008 prior year material weaknesses for AMC reporting to HQDA. Combined both prior year material weaknesses into a new FY 06 AMC-level material weakness - # USAMC-06-002..

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Date: 9 May 06

CORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-008

<u>Title and Description of Material Weakness</u>: Law Enforcement and Security Operations

The Army Materiel Command has concerns for security and law enforcement operations in the long term. With the utilization of Global War on Terrorism (GWOT) resources for the contract security guards hired under the Defense National Authorization Act of Dec 02 (DNAA02), this command has concerns for their future resourcing without GWOT. Current waiver to contract for increased security functions as a result of 9/11 was extended from 2 Dec 05 until Sep 06, with a stipulation that the report must be complete and have reached the Hill by 1 Dec 05. The ACSIM is writing the DOD Report that is due 1 Dec 05 to SASC/HASC. The ACSIM is the Chair for a DOD level working group of which IMA and OPMG are a part. DA OPMG are assisting with information for the report. Furthermore, there are concerns for the continued out-year funding of DAC over-hires due to increased security operations since 9/11. Since 9/11, HQDA has mandated the securing of all gates with security personnel to perform 100% identification checks and random vehicle inspection programs, little has been accomplished to address the requirement in the long term. There are insufficient funds in the projected Program Budget Guidance (PBG) to support identified requirements. To date, there are minimal efforts to make required adjustments to Department of Army Civilian (DAC) guard Table of Distribution and Allowances (TDAs) for FY09 or prior years dependent upon DNAA02 pending approvals. Although the DNAA02 authorized the utilization of CSGs where augmentation forces would be utilized, the authorization act continues to be only a short-term fix to a long-term problem.

<u>Functional Category</u>: Personnel - Force Protection (Law Enforcement Operations)

<u>Pace of Corrective Action</u>:

<u>Year Identified</u>: FY 2001

<u>Original Targeted Correction Date</u>: FY 2002

<u>Targeted Correction Date in Last Year's Report</u>: FY 2007

<u>Current Target Date</u>: FY 2006

<u>Reason for Change in Date(s)</u>: Closed for Reporting to HQDA.

<u>Validation Process</u>: Independent Review and Audit

CORRECTED MATERIAL WEAKNESS

Local ID # USAMC-01-008

<u>Results Indicators</u>: Installations performance of police and guard functions at installation levels can be met through sustaining Force Protection Condition (FPCON) level Bravo per requirements determination. Higher FPCON would require additional support.

<u>Source(s) Identifying Weakness</u>: Management – Directed by CG, AMC

<u>Major Milestones in Corrective Action</u>:

A. Completed Milestones:
<u>Date</u>:   <u>Milestone</u>:

Sep2001 and 2002   Worked with FORSCOM to acquire AC and RC units to support force
                              Operations on AMC sites during heightened FPCON

May 2003   Submitted contract guard requirements to HQDA (DAMO-ODL)
                      Under provisions of Defense National Authorization Act of 2002
                      Signed by the President on 1 Dec 02

May 2003   G-1, G-2 and G-3 completed IPR on expeditious actions for hiring of
                      guards and disseminated guidance to the field

Nov 2004   Re-validated manpower requirements from DAMO-ODL/USAMPS
                      ACP Study in manpower requirements drill

Dec 2004   HQDA (DAMO-ODL is established a Civilian Police Academy at US
                      Army Military Police School, Fort Leavenworth, MO – Under
                      TAA011 initiative actions to incorporate additional manpower in
                      FY2005 (USAMPS action on Police Academy pending.)

Jan 2005   Submitted Schedule 75 for FY07-11 requirements to DA OPMG.

Jan 2005   Re-validated manpower requirements from DAMO-ODL/USAMPS
                      ACP Study in manpower requirements drill and pending final policy
                      determination on DNAA02 CSGs.   Schedule 75 submission made
                      for FY2007-11.

Jan 2006   Revalidated manpower requirements from DA OPMG/USAMPS ACP
                      Study and other requirements along with Manpower Requirements
                      generation.

CORRECTED MATERIAL WEAKNESS

Local ID # USAMC-01-008

B. Planned Milestones (Fiscal Year 2006)
Date: Milestone:
Jan 2007   Continue to revalidate manpower requirements to and from DA OPMG
                  in manpower requirements drill.

OSD or HQDA Action Required: Information Only.

Note: Closed both 01-008 and 01-009 prior year material weaknesses for AMC reporting to HQDA. Combined both prior year material weaknesses into a new FY 06 AMC-level material weakness - # USAMC-06-002..

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